ALTERNATIVE INVESTMENT - MISSION OR TREASURY?

A practical workshop sponsored by

The Taskforce on the Churches and Corporate Responsibility

for its members in the churches and religious orders

The first workshop in Canada on alternative investment

29 May 1987

Deer Park United Church
129 St Clair Avenue West, Toronto, Ontario M4V 1N5

An alternative investment is one where the investor may accept a higher level of financial risk or a lower rate of financial return in order to achieve a social benefit as part of its overall return.

This Workshop is offered solely for the interest of the participants. The Taskforce and its members are not in the business of providing investment counselling. Thus they do not endorse any particular speaker, individual or organization participating in this Workshop, and they have not verified the accuracy of any materials that they or others may distribute. Opinions expressed by the speakers are not necessarily those of the Taskforce or its members.

All sessions take place in Deer Park United Church. Room allocation for each session is shown on the program. Signs show the room locations but participants may wish to know the floors on which the various rooms are to be found.

Blue Room, main workshop location, ground floor
Green Room, second floor
Long Room, basement

Lunch, juice and coffee will be provided.

The number on your name tag [1-4] identifies your workshop discussion group.

The Taskforce's telephone number is 416 923 1758 and messages will be taken for the participants and pinned up at the registration desk in Deer Park United Church, in the reception hall outside the Blue Room.

NO PARKING IS AVAILABLE FOR PARTICIPANTS AT THE WORKSHOP!!!!

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Workshop program

Session	Time	Room	Title	Speaker
	0900-0930	BLUE	Conference registration	
A	0930-0940	BLUE	Workshop purpose statement	Philip Creighton
B	0940-1000	BLUE	Alternative investment and the social responsibility of the Christian Church	Marsha Hewitt
C	1000-1040	BLUE	Faith and finance: opportunities and mechanisms for community investment	Chuck Matthei
	1040-1115	BLUE	Juice, coffee and unstructured discussion	
D	1115-1145	BLUE	A review of alternative investment in Canada	Ted Jackson
E	1145-1205	BLUE	"Community futures" - the federal government's presence in alternative investment	Ken Gelok
F	1205-1215	BLUE	Realism in church financing	John Ligertwood
	1215-1330	GREEN	Buffet lunch	
G	1330-1430		First case study session	See page 3
		BLUE	Groups 1 and 2	
		GREEN	Groups 3 and 4	
	1430-1445	BLUE GREEN	Juice, coffee and unstructured discussion	
H	1445-1545		Second case study session	See page 3
		BLUE	Groups 3 and 4	
		GREEN	Groups 1 and 2	
I	1545-1615	LONG	Reaction time	See page 3
J	1615-1630	LONG	Summing-up and a proposed course of action	Frances Ryan

Notes to the program

Sessions G & H Case studies

BLUE ROOM

HANDS: Housing Assistance Non-profit Development Society of Wolfville, Nova Scotia

HANDS is an inter-church agency which provides housing and training in life skills for the rural dis-advantaged

Presentation by:
Jennifer Foster, Executive Director and
Wayne Paterson

GREEN ROOM

Groupe conseil des cooperatives de travail de Montreal-Laval

GCM is a successful promoter and developer of worker cooperatives, seeking the creation of new jobs.

Presentation by:
Luc Labelle, Project Manager

The participants will be assigned to one of four groups. Each group will discuss both cases. The presenters will speak for about 20 minutes with the balance of the time reserved for group discussion and questioning of the presenters, who have been asked to concentrate on the organizational aspects of their projects.

Group leaders:

Ray Hodgson	Group 3
JP Horrigan	Group 2
Heather Johnston	Group 1
Joan Kuyek	Group 4

Session I Reaction time

This period will provide [a] time for participants to ask questions which require answers to the whole workshop, [b] make short statements on matters of personal concern, or [c] bring forward recommendations, etc, of the groups.

Workshop on Alternative Investment

Speakers, group leaders and other resource persons

Jennifer FOSTER [sessions G & H] is the executive director of HANDS [Housing Assistance Non-profit Development Society] of Kentville, Nova Scotia. She is active in local politics being on the Kings County Municipal Council.

Ken GELOK [session E] is director, Ontario Region, Adjustment Programs for Canada Employment and Immigration. He has been in the federal service some twelve years. Prior to that he was active in labour relations in the private sector and in community and political action.

Marsha HEWITT [session B] is professor of theology and social ethics at Trinity College, Toronto School of Theology, where she teaches in the area of social ethics and feminist theology. An award winning author, she is probably best know for her book on Hamilton Their Town: The Mafia, the media and the Party Machine 1979. She earned her doctorate from Concordia in the field of liberation theology.

Ray HODGSON [sessions G & H] is program director - Church and Society for the Board of Congregational Life with the Presbyterian Church in Canada. Before his recent appoint to the Board he was the minister of St Andrew's Presbyterian Church, Welland, where he was engaged in the development of emergency and second stage housing.

JP HORRIGAN [sessions G & H] is a member of the Jesuit Order and vice-president finance of the Board for Canadian Jesuits as well as the treasurer of the Canadian Alternative Investment Cooperative.

Ted JACKSON [session D] is an Ottawa-based consultant in economic planning and human resource development. He holds a doctorate from the University of Toronto in adult education. He has consulted with the Assembly of First Nations, the Dene and CIDA among others. He is preparing, currently, a major study of social investment in Canada.

Heather JOHNSTON [sessions G & H] is president of Ecumenical Development Society of Hamilton Inc a support association of the Ecumenical Development Cooperative Society. She has been active in community development and is a frequent speaker on the subject.

Joan KUYEK [sessions G & H] is an economic animator with the Division of Missions in Canada, the United Church of Canada. She is the president of the Ontario Community Development Association. An active community organizer. She wrote The Phone Book: Working at Bell Canada 1979.

Luc LABELLE [sessions G & H] is president and founder of Irrigation Pro-jet Inc of Montreal. He is a project manager with Groupe Conseil de Montreal-Laval specialising in the establishment of workers cooperatives.

John LIGERTWOOD [session F] is a chartered accountant and treasurer of the General Synod, the Anglican Church of Canada, a position he has held for over thirty years. He is also a member of the finance committee of the Canadian Council of Churches.

Chuck MATTHEI [session C] is executive director of the Institute for Community Economics [ICE], Greenfield, Massachusetts. He is also the chairman of the National Association of Community Development Loan Funds. An "unreconstructed child of the 60s" he forwent college education to work for peace and social justice in a long association with the Catholic Workers movement.

Wayne PATERSON [sessions G & H] is manager of lending services with League Savings and Mortgage, of Halifax, and its parent Credit Union Central of Nova Scotia. A native Maritimer he went to the University of New Brunswick. He has been active in the mortgage-lending field for twenty-five years.

Frances RYAN [session J] is a member of the Ursuline Community and is currently the editor of Catholic New Times a bi-weekly focusing on peace and justice issues. She was a founding member of the Canadian Alternative Investment Cooperative. A former general superior and a long time teacher, she holds a doctorate from York University in sociology.

TCCR workshop staff

Philip CREIGHTON [session A] is a chartered accountant in public practice, representing the Anglican Church of Canada on the Taskforce's board.

Moira HUTCHINSON is coordinator of the Taskforce.

Angela LUKACH is administrative assistant to the Taskforce.

The Social Responsibility of the Christian Church and the Question of 'Alternative Investment'

--Marsha A. Hewitt.

In 1983, the Canadian Conference of Catholic Bishops issued a statement entitled, "Ethical Reflections on the Economic Crisis" which provoked a strong public response across the country. Many politicians and business representatives denounced the document, accusing the bishops of economic ignorance, or "Marxism", while others hotly suggested that the bishops had no right to comment on the economy, but ought rather to keep to strictly "religious" affairs. The reason for the sharp and sometimes wild criticism of the statement was that the bishops raised the issue of political economy to the level of ethics. In their view, the economic crisis revealed "a deepening moral disorder in the values and priorities of our society."[1] In short, the bishops strongly implied that the capitalist economic system is profoundly immoral.

Most discussions and analyses of the economy with its various contradictions, and sometimes devastating effects on people's lives, rarely address the question of the ethical assumptions and implicit values structure at the heart of the economic system.[2] When the ethics of a particular socio-economic system (which in the West is known as advanced industrial capitalism) is brought to critical scruitiny, what emerges is the implicit vision or image of reality at the heart of that system, which in turn reveals a particular attitude toward humanity. When the bishops exposed the implicit values of our economic order to critical ethical reflection, they demonstrated that the moral disorder of contemporary society in part rests upon the instrumentalization (what Jürgen Moltmann calls "thingification") of human beings as a means in the accumulation of profit. In articulating the values of industrial capitalism, the economic strategies of which indicate certain kinds of moral choices and decisions, it becomes possible to envision change. If economic forces are

perceived as powers over which the vast majority of people have no control, there results an attitude toward resignation and acceptance, which precludes the very thought of the possibility of change.

The bishops correctly identified "capital" as "the dominant organizing principle of economic life." [3.] Thus,an industrial capitalist economic system, with its consequent social and political relationships, is not value-free. The productive forces of a given society, along with its economic and social relationships,are produced and re-produced by human activity, and are thus the product of human planning and decision-making. As the bishops further pointed out, the inherent logic of our economic system favours the maximization of the accumulation and concentration of capital,and the minimization of cost, or labour. And labour,of course, means working people.

In a highly consumption -oriented world such as ours, this logic of capital becomes hypostasized into an almost revered way of life, producing the illusion that the more commodities consummed, the greater "wealth" accumulated by everyone. The myth of consummerism implies that all may have equal access to the bounty of capital. Reality, however, is different. In a world of such profound alienation as exists presently, where not only God, but the human subject has all but disappeared, commodity consumption threatens to become a primary activity from which human beings are encouraged to derive a false, but seductive, sense of self-hood. As the existential and spiritual emptiness within humanity deepens, the frantic urge toward comsumption increases, and the human person, whose self-consciousness is further undermined and eroded, is threatened with being turned into another commodity. As early as 1951, Theodor Adorno described the current situation, when he wrote:

> What the philosophers once knew as life has become the sphere of private existence and now of mere consumption, dragged along as an appendage of the process of material production, without autonomy or substance of its own. He who wishes to know the truth about life in its immediacy must scrutinize its estranged form, the objective powers that determine individual existence even in its most hidden recesses. To speak immediately of the immediate is to behave much as those novelists who drape their marionettes in imitated bygone passions like cheap jewellery, and make people who are no more than component parts of machinery act as if they still had the capacity to act as subjects, and as if something depended on their actions. Our perspective has passed into an ideology which conceals the fact that there is life no longer.
>
> But the relation between life and production, which in reality debases the former to an ephemeral appearance of the latter, is totally absurd. Means and ends are inverted... The change in the relations of production themselves depends largely on what takes place in the 'sphere of consumption', the mere reflection of production and the caricature of true life...Only by virtue of opposition to production, as still not wholly encompassed by this order, can men bring about another more worthy of human beings. Should the appearance of life, which the sphere of consumption itself defends for such bad reasons, be once entirely effaced, then the monstrosity of absolute production will triumph.[4]

The "ideology which conceals the fact that there is life no longer" refers to the ideology of capital and commodity aquisitiveness, in which the thing is not only valued over the essence, but the essence has all but been destroyed. What Adorno is warning against is reality thus becoming devoid of meaning, and the obliteration of the human person in all his or her subjectivity, through objectification. The way in which production occurs in our society, so that consumption for its own sake replaces need, has a direct impact on human self-understanding. The other side of consumption is disposal, so that human beings as objects of production and not its subject, become doubly instrumentalized and reduced: as objects, human beings are also dispensible, especially when they 'cost' too much.

At the heart of the bishops' statement is a demand for the restoration of the human person as the subjective agent of production, so that human beings in

the context of their communities may plan what should be produced according to their own needs and best interest. This is one step toward the reclaimation of "dignity" and "self-worth". If the political and economic power structures of our society would allow for the majority of people to participate in the planning and execution of production, there could be a definite shift from capital-intensive enterprises to labour-intensive industries, to socially useful and beneficent forms of production, to community ownership and control of industries, and worker self-management, to name a few social alternatives. But such changes are not even thinkable in a world in which human beings are not understood (and self-understood) to be active, self-directed agents,but rather as dispensible objects.

The evidence that the latter view is the prevalent one in our society is exposed in the human cost that results from our present economic practices, which concentrate on the survival and increase of capital. The bishops drew attention to the devastating consequences of such socio-economic realities as plant shut-downs, increasing lay-offs of workers, deeper cuts to social services, health and psychiatric care, social benefit programmes and education. "we have... witnessed, first hand, the results of a troubled economy: personal tragedies, emotional strain, loss of human dignity, family breakdown, and even suicide." [5]

The bishops correctly insisted that the economic realities of inequality which so pervade the present socio-economic order, are indicative of a "moral disorder" in society. And thus they proclaimed that,

> As Christians, we are called to follow Jesus by identifying with the victims of injustice, by analyzing the dominant attitudes and structures that cause human suffering, and by actively supporting the poor and oppressed in their struggles to transform society. For, as Jesus declared,'when you did it unto these, the least of my bretheren, you did it unto me." [6]

A re-ordering of values and priorities in economic life are themselves

contingent upon a more profound shift of values whose focus is service, wherein human needs take precedence over the re-production of capital. This ethical consideration must be prior to any consideration of possible alternative economic strategies, so that we are perfectly clear not only about what we are doing, but even more importantly, why we do it. What is required, and urgently, is an alternative economic vision at the centre of which stand human beings, in all their real concrete and material needs, and which presupposes that the development of full personhood, including spirituality, is contingent upon bodily existence. Human being is embodied being, a determinant factor of creaturliness. An alternative economic vision should presume the importance of the quality of human existence, understanding that the possibilities for the realization of human potential, both on the individual and communal level are too often undermined and truncated in the face of material deprivation and hardship.

The formulation of an alternative economic vision cannot take place in isolation from ethics and theology. When the relationship between ethics and theology is developed further, so that ethics may be understood as an "intensified form of theology",[7] then ethics raises and expands the theological question of the nature of our relationship to reality.[8] If there is any hope that human beings will re-discover and re-claim their subjectivity, a process through which they directly negate themselves as objects of instrumental manipulation (which is characteristic of technocratic society), there is also the hope of the re-appearance of the divine in humanity. This is the task facing Christianity and the churches: the critical, practical affirmation of the divine in the human, with its concomittant, and also practical negation of those forces which deny it.

This task, as practical, is also thoroughly historical and social, because human beings live and strive for self-actualization in history and society. If Christianity is to enter history as a transformative and emancipatory force in the service of human welfare in all its dimensions, then the mission of the Christian churches is exercised directly within the economic, the social and the

political realm. The question is, what creative contribution can Christianity make toward its historical mission of "seeking after a different and better world",[9] considering the world as it is presently.

At this point it is relevant to dwell upon the Christian concept of discipleship, the essential element of which is service for others. In the New Testament, service, diakonia, relates to the command of love of the neighbour, a "love in which the love of God is manifested."[10] The Greeks understood diakonia as an activity of "self-abasement: waiting at table, serving food and pouring wine. The distinction between master and servant was nowhere more visually apparent than at meals",[11] so that the service implied in diakonia is that performed by an inferior for someone of higher status. Jesus emphasized this kind of service, but gave it a transformed meaning: "But I am among you as one who serves", (Lk.22:27); "whoever would be great among you must be your servant, and whoever would be first among you must be slave of all. For the Son of man came not to be served but to serve", (Mk. 10:43-44). Love, the basis of Christian ethics, is the "root and goal of service". [12] In the New Testament, every action "which helps towards the building up of the community is basically a service." [13] Service in this sense is not a matter of self-glorifying, self-righteous works, but "is something that must be derived from God and directed towards God--each according to the call he/she has received, the charism given to him/her." [14]

Whatever form Christian service to the community takes must be determined by the specific conditions and needs of that particular community, which are mediated by its specific historical, social and political context. Thus it remains for Christians in each historical epoch to assess the needs and demands of the community in which they live. Another condition for service must take into account its possibility of realization within the given situation. In this way, the concept and practice of service becomes a dynamic, concrete and effective force, and not an a-historical, romantic ideal.

The Christian concept and practice of service derives from and reflects the New Testament image of God, and the Kingdom. Edward Schillebeecx describes the God of Jesus as looking after people, and the Kingdom as "charged with a concern for humanity" that is both practical and effective. "Orthopraxis, right conduct, is the human manifestation or logical rendering of God's universal saving love, registered in practical human living...Man's caring for his fellow-men is the visible form and aspect in which the coming of God's Kingdom is manifested; it is the way that God's lordship takes." [15]

The basic principles of Christianity--love, service, and community remain ideal, static abstractions unless they are made active, in the daily praxis of human beings. In the New Testament there is no clearly defined, detailed ethics or moral programme; there is the simple command from Jesus to love one another as constitutive of discipleship. (Jn. 13:34-35) It remains, however, for Christians and all people of good will who would take Jesus' words seriously to determine just what this means. The historically recurrent question at the heart of Christian ethics is, "What am I as a believer in Jesus Christ and as member of..[the] church to do?" [16] What has developed over the centuries as Christian ethics is an ongoing hermeneutic of the command to love, along with a hermeneutic of Paul's repeated exhortations to do the good. (Rom. 12:2; I Thess. 5:21-22; Phil. 4:8)

If we accept the consensus of most exegetes, that there is no clearly unified content in New Testament ethics, [17] then "we have to face the fact that an analysis of Christian ethics involves a kind of running [dialogue] between the New Testament... and our situation, as heirs of the New Testament." [18] This approach to Christian ethics allows us the freedom to first engage in a serious, critical analysis of our current situation, in an effort to be able to think what will improve and promote human welfare. In the words of Max Horkheimer, "the

meaning of the concept of Christian love can only become apparent if it is explicated in the form of a theory of reality--of those real situations in which it would be tested."[19] Since history is a process of constant change, then such a critical analysis of reality must be ongoing and open-ended, so that the meaning and demands of particular historical epochs and social situations may be understood.

Authentic religious praxis is the praxis of love,[20] and takes place in community, which is the ethical reality of the church; "this ethical reality is the koinonia." The koinonia ethics of the New Testament implies that the integrity of the person is built up in and through interrelatedness, and that the individual in relation to the community is the condition of the possibility for self-realization.[21] Jesus' concern for the individual took account of his or her social or familial context. In I Corinthians 12, Paul describes the condition of humanity as socialized humanity, from which Christianity derives its notion of church:

> The 'body of Christ' is the characteristic New Testament way of speaking about the church; and the metaphor of the body underlines the point that in so far as the church is a koinonia--a fellowship relationship in which each individual functions properly himself in relation to the whole, and the whole functions properly in so far as each individual is related to it--the church is authentically church." 22

The New Testament ethical principles of service (diakonia) and community (koinonia) are realized in a dynamic relation with love, so that love becomes active in the world through service and community, while also providing their common ground. The meaning of love transcends the private realm (between individuals, and between the individual and God) into the social sphere, where it takes the form of a resolve to struggle for justice and freedom for others. The church, as the historical bearer of Christianity's message of eschatalogical hope, must further assume responsibility for articulating the necessity and possibility of a better historical future that is less alienated and alienating, where the human subject emerges to assume his or her proper place as the

maker of history, and not its object. Jürgen Moltmann writes that, "In modern society, man's subjectivity and the objectivity of his works and relations appear so far separated that the products rule their producers and rationalized relationships exert a wholly irrational co-ercive force over men...The present situation is experienced as a situation of antagonism between subjectivity and objectification. This situation is characterized by the impotence of the individual and the superiority of those conditions which he himself creates.[23]

The Christian churches must analyse the current situation as a means toward change, and demonstrate the capacity of Christianity to expose those possibilities that exist now for creative transformation of the present situation. The churches' public critique of the erosion of human and religious values must at the same time be linked to a critique of social, political and economic structures.[24] The Christian churches can strengthen their critical voice by engaging in activities, wherever possible, that in themselves are or point toward creative alternatives, in whatever area, to the existing manner of doing things. In this way, Christianity enters contemporary history as a progressive force, with the capacity to articulate the "theological moment" in human activity, and to transcend the instrumental, "mere business" quality of economic, political and social life.[25] The churches will then begin to mobilize and express the "critical potency" within Christianity to change the world.

In the context of a highly developed, wealthy society such as exists in North America, the command in I Peter 4:10 holds a special challenge for the Christian churches: "As each has received a gift, employ it for one another, as good stewards of God's varied grace." As the churches are integrated into the mainstream of North American society, and participate in its wealth, it remains for the churches to exercise their mission within the conditions and structures in which they exist. One specific question facing the churches is that of their investment practices, and how may those practices be fashioned in order to help the disadvantaged and marginal people in this society who do not participate

in its material benefits. Does alternative investment, which some churches and religious orders have been practising for some time, at all have the capacity to express the basic Christian ethical principles of service, community and love?

The basic purpose of alternative investment (which is a form of 'socially responsible investment') is to make money available to people who would otherwise have no access to funds for much needed community projects. As we have stated, the motive force of capital is the re-production and expansion of itself; thus, conventional types of investment are directed toward capital-intensive enterprises such as real estate, banking and international investments. However, the rationale of alternative investment is oriented toward human needs with a view to helping people to help themselves improve the condition of their lives. Thus some of the aims of alternative investment are job creation and retention, quality low-cost housing, worker self-management and co-operative business enterprise. In general, alternative investment seeks to contribute to the building of community stability and self-reliance.[26]

Alternative investment demonstrates a basic shift in ethical thinking, wherein the absolute value of human beings as ends replaces the pursuit of capital for its own sake. The values structure of alternative investment negates the human as the object of instrumental manipulation, and attempts to restore the human being as the subject of individual and community life, as the subject of production. The potential of alternative investment, then, is more than economic; it indicates a change in consciousness, a transformation in the way we see ourselves and each other.

It is precisely the role of the Christian churches to initiate and promote this transformation of consciousness (metanoia) on both the public and individual level. By engaging in specific, concrete activities such as alternative investment, the Christian churches iniate a re-ordering and re-definition of values, bringing to public awareness the dynamic, practical reality of service, community and love.

Christianity is a religion oriented toward the future; its hope in the future must be mobilized in the historical present for the building of a better world. The starting point of all ethical responsibility is the world as it is presently constituted; it remains to explore whatever creative and useful opportunities there are for influencing changes that are always taking place. At the moment, alternative investment exists on a small scale, and may only achieve a limited presence in the economy. However, change does not occur on one level only, and the economy is not the only area where change is possible. Christianity, as a cultural force, has the capacity to identify many areas of potential transformation of the existent, by exposing the contradiction between hope and experience. In doing this, Christianity articulates its critical voice of protest and negation of the negative, provoking thinking of an "anticipatory kind", which gives shape to "newly dawning possibilites...in order to create here the best that is possible, because what is promised is within the bounds of possibility." [27]

FOOTNOTES

1. "Ethical Reflections on the Economic Crisis", in Canadian Dimension, volume 17, No. 2, May 1983, p.9.

2. This is partly due to the high degree of epistemological specialization and fragmentation that was the result of the Enlightenment, so that the various disciplines develop, and continue to do so, within their own sphere of rationality. Thus questions of ethics, theology or philosophy become isolated from the areas of science and economics, for example, in such a way that each is understood as having little or nothing to do with the other. For the bishops to introduce questions of ethics and theology into critical relation with the economy is neither easily nor readily accepted in some quarters.

3. "Ethical Reflections on the Economic Crisis", p.6.

4. Theodor Adorno, Minima Moralia, translated by E.F.N. Jephcott, (London: Verso, 1974), p. 15.

5."Ethical Reflections on the Economic Crisis", p.6.

6. Ibid., p. 6.

7. Trutz Rendtorff, Ethics: Basic Elements and Methodology in an Ethical Theology, volume I, translated by Keith Crim, (Philadelphia: Fortress Press, 1986),p.9.

8. Ibid.

9. Edward Schillebeecx, Jesus: An Experiment in Christology, translated by Hubert Hoskins, (New York: The Seabury Press, 1979), p. 153.

10. Hans Küng, The Church, (New York: Image Books, 1976),p.498.

11. Ibid.

12. Ibid., p. 501.

13. Ibid., p.502.

14. Ibid., p.502.

15. Edward Schillebeecx, Jesus, p. 153.

16. Paul Lehmann, Ethics in a Christian Context, (New York: Harper and Row, 1963), p. 25.

17. Trutz Rendtorff, Ethics, p. 21.

18. Paul Lehmann, Ethics in a Christian Context, p. 29.

19. Max Horkheimer, Critique of Instrumental Reason, translated by Matthew J. O'Connell and others, (New York: The Seabury Press,1974),p.48.

20. Johannes B. Metz, "Messianic or 'Bourgeois' Religion? On the Crisis of the Church in West Germany", in Concilium, vol. 125, 1979, p.71.

21. Paul Lehmann, Ethics in a Christian Context, p.54.

22. Ibid., p.62.

23. Jürgen Moltmann, "The Future as a New Paradigm of Transcendence", in Religion, Revolution and the Future, translated by Douglas M. Meeks, (New York: Scribner, 1969), p.189.

24. Johannes B. Metz, The Emergent Church, translated by Peter Mann, (New York: Crossroad, 1981), p. 91.

25. Max Horkheimer, quoted in Charles Davis, Theology and Political Society, (Cambridge: Cambridge University Press, 1980), p. 133.

26. Edward T. Jackson, Social Investment: Paradigm for Change, September, 1986, p. 7. (unpublished consultant report).

27. Jurgen Moltmann, Theology of Hope, translated by James W. Leitch, (New York: Harper and Row, 1975), p.34-35.

COMMUNITY INVESTMENT: LESSONS FROM THE U.S. EXPERIENCE

By Chuck Matthei, Executive Director
The Institute for Community Economics

I've been asked to share with you this morning some of the practical experiences of those who are addressing the issues of alternative investment in the belly of that large economic whale on your southern border. First, let me make it very clear that I've been an occasional and appreciative visitor to Canada, but I am by no means expert or even closely familiar with the circumstances in which you work and the problems which you address. So I expect to learn more than I can share today. But I hope that in some measure the information that I share with you from our experience will be relevant to yours.

We have come to our own alternative investment efforts in the United States very much from direct experience and a personal concern with social needs. The needs of many of our neighbors, as you probably know from the flow of news across the border, have been steadily growing in recent years and are very serious. I don't want to spend much time today reviewing those needs, both because they've been well documented and because you are more properly concerned with the specific needs in your own communities. Let me simply say that those needs present some fairly unique challenges.

The needs of the 1980s are severe and growing: the need for decent housing, 80,000 homeless people on the streets of New York City and too many others in other communities, with the impending loss of more than 800,000 units of federally subsidized housing and almost no new production of affordable housing in comparison with housing loss; structural unemployment problems; and the lack of other social services. Moreover, these problems have occurred and grown worse in a time of apparent economic recovery and prosperity.

Ours is not simply a problem of poverty and depression, and disinvestment, although we have those problems in some communities. Ours is a problem in the midst of recovery and to some extent because of recovery. We have intense suffering amongst the poor, not only in communities where the economy is in decline, but in communities where the economy is booming and specifically because it is booming. There we have the phenomenom of gentrification: the return of upper-income professionals into what have been low-income urban neighborhoods, and the consequent displacement of the poor.

It's anyone's guess where the poor will ultimately end up. Will we come to a position where we have shantytowns in the third-world

model, in the old ticky-tacky suburbs of the 1950s which can't really be renovated because they weren't built well in the first place? Or will we have simply greater numbers of homeless people? We've yet to find what form it will take, but it's significant to us that the problems are occurring in a time of recovery, and that they're occurring both because of traditional economic downturn and because of economic revitalization. That's caused us to make a deeper analysis of the root causes of poverty. It's not enough to say when the economy is good, the plight of the poor is alleviated, and when the economy is bad, more people are suffering. It's not so simple and we've had to take a new look at the roots of poverty.

So there is bad news in communities in communities all across the United States; but there is good news as well. The good news is that the extremity of need and the Depression-era images of hunger and homelessness - of soup kitchens and bread lines and people on the streets - have provoked an almost unprecedented concern, certainly for modern times. You find that concern in the churches; you find it elsewhere in society. And with it has come a number of very creative community development projects and initiatives.

These are very different types of projects, responding to different social needs. Some address housing problems, some unemployment, and some a variety of social service needs. They are also different in the ways that they address those problems. Some of them provide immediate relief, and that is certainly needed. Others look not only to the short term, but also to the systemic causes of poverty, and to a long-term effort to alleviate it, to eliminate it, to prevent it from occurring, or from worsening. And in social investment, you in the churches and we in the community development loan fund movement need to develop an educated perspective on that spectrum of community development initiatives. What are the kinds of projects that are not only well intentioned and provide short-term benefits, but will over the long term, in a more fundamental sense, address the needs that motivate our investment efforts?

The Capital Gap

All community development projects, as diverse as they are, depend on access to capital. Many of them require some kind of grant subsidy or gift capital. But almost all of them require some measure of debt financing, of investment capital, of loans. And almost all of them have a very difficult time gaining access to that capital.

Most affected by the capital gaps and capital barriers are low-income people, women, people of color. The poorer you are, the harder it will be to obtain financing, and there have been historical prejudices and institutional barriers that have made it difficult for women and people of color to gain access to capital in conventional institutions. If you take a community organization composed largely of low-income people, women and people of color - and that's the composition of many of the community groups that we work with in the

U.S. - the problems are compounded.

Barriers are particularly high for new organizations. There's that old "catch-22": you walk in the door of the bank and the banker says,"You're wonderful people, I'm so impressed by your dedication, your community clearly needs an effort like this, but you have no credit history, no track record. We would love to help you. Come back when you've proven your capability." Well, you can't prove your capability without access to capital and you can't get the capital unless you've already proven it, and that revolving door goes around and around and around. Finally, there is the barrier to innovative or unconventional organizations: nonprofit organizations, cooperatives - any organization whose motive force, whose driving spirit, is not the profit motive, which in the U.S. we tend to assume is the only truly successful driving force in economic activity.

Thus, if you take low-income community organizations with many minorities and women in their membership, newly developing in their communities to address needs in an unconventional service-oriented manner, you're going to have a hard time getting a loan. Let me give you several examples of groups who have recently come to us. One is a group of low-income Hispanic families in central Florida. One member owned a house. He sold the house and the others pooled all of the resources they had access to. Together, they purchased 30 acres of land and decided to leave the migrant trail and set up a small cooperative farm. Agriculturally, it's a viable proposition, but they needed another $8,000 for wells and irrigation equipment. Where are they going to get it?

Then there are the woodcutters in Mississippi who have organized something like a farmworker's union of poor black and white pulpwood cutters. They go out and look at timber stands. They propose to cut those stands and market the timber. They can measure the timber that's out there, they know what its market value is, but they can't cut it, to make a living, unless they can pay for the timber rights up front. And there aren't many banks in rural Mississippi that are going to make loans to poor black pulpwood cutters to buy timber rights.

Another application came from the low-income housing cooperatives organized by the Lower East Side Catholic Area Conference in New York City. LESCAC has two organizers on the street, a Catholic and a Jew, both paid by the Archdiocese to organize low-income families into cooperatives. Once organized, each group enters a city-owned abandoned building and begins renovations - and then applies to the city for transfer of title. It may be an unusual method of property acquisition, but it is appropriate and successful. Fifteen buildings have been transferred to the coops that are renovating them - but where will the construction financing come from?

Loan applications may come from any of these groups, or others. It is important to understand that there are many different types and

terms of capital needed. Small amounts of capital are needed in some cases, very large amounts in others. Some projects are only viable if capital is loaned at very low interest rates, but others can afford market rate. Large and small, low and higher - there are as many types of capital needs as there are types of development initiatives and types of community organizations. But the barriers remain. Let us examine them for a moment.

There are several barriers, and it is important to understand that they are not all related, to the loan applicant's capacity. It is too easy to assume that the poor cannot get loans because, as much as they need the money, they don't have sufficient income to repay a loan and they are not credit-worthy borrowers. It is easy to dismiss this capital barrier as a problem of capacity. But the fact is that the banking industry - with some noble exceptions - too often resembles the chicken farming industry as it's come to be in modern times. Chicken farmers are no longer small entrepreneurs; they have these massive facilities with hundreds of thousands of chickens, and as soon as the computer says that egg production has fallen below a certain statistical average, all of the chickens lose their heads. These modern farmers don't go out into the barnyard to find out which hens are still producing an egg a day and which are not.

Likewise, too many bankers will no longer take the time or trouble to find out who in fact is really credit worthy; they just say if the applicant fails to meet statistical standards, "Cut their heads off." It sounds a bit like Alice in Wonderland, but that's the financial climate in which community development workers have to struggle.

Some of the problems are institutional. Banks, fundamentally, have a profit motive and the protit opportunities are always going to be greater outside of low-income communities. Some of the problems are social. There are class, cultural, style, and even language barriers between bankers and these loan applicants. Any banker will say, "I read the numbers, I make sure the project is viable, and then I look across the table and I make a character judgment: `Are you someone I relate to? Can I understand you? Are you someone I can communicate with? Can I trust you?'" That is where differences of class, culture, style and language may become barriers to capital.

There are also specific problems with conventional credit standards. For instance, banks in the U.S. will not make a mortgage loan if a family is going to pay more than 30% (or less) of its income for housing. But it is increasingly difficult to find a low income family in the States that's paying 30% of its income for housing - except in that rapidly diminishing number of subsidized units. In contrast, we say if the poor have a history of paying 50% of income for rent, if they've done it every month, and absent this opportunity they will have to continue making this payment to a slumlord - then give them the chance to buy a home in a community land trust with that 50% of income. Let demonstrated capacity be the rule,

not an arbitrary statistical standard.

Community Investment and the Roots of Poverty

We thus sometimes apply "unconventional" credit standards, because we have come to understand that conventional capital barriers do not simply the reflect a lack of capacity amongst applicants. We understand, too, that there is a very prevalent mythology about poverty in the United States and that myth is centered on the assumption that, "the poor have no money." Most people assume that to be poor is to have too little income - too little for decent housing, or food, or medical care. But look carefully at the housing economics of poverty and you will find that the reality is not so simple (or simplistic).

If you calculate what low-income people will pay for substandard housing over their rental lifetime - even at today's rents, as if they will not increase in the coming years - you will find that many, many low-income families will pay far more than upper-income people pay for far greater housing benefits.

The poor will be forced to pay a much higher percentage of their income, many more times the original market value of their housing, and often a greater number of total dollars. The problem of the poor is not simply the amount of money flowing into their pockets and their neighborhoods, but the fact that so much of what flows in, flows right back out. That's not a problem of income sufficiency, although some people do lack sufficient income. It's a problem rooted in the structure of ownership. Typically, the vast majority of the land, the housing, the business institutions, and the credit institutions in low-income communities are absentee-owned. For that reason, the capital that flows in, or is generated within, flows back out.

To address the problem of poverty in a significant way, it is necessary to do more than provide immediate service to those in need. You must begin, at least in some small incremental way, to change the structure of ownership, and the resulting pattern of capital flow. So "community investment," as we practice it, has three definitive characteristics.

First, community investment involves a commitment to specific places - to specific communities and the people who live there - and to rebuilding the web of relationships which sustain and enrich those communities. This, in itself, is quite unusual in the current era of U.S. bank de-regulation. In my own town, for example, every bank but one has been purchased and sometimes re-purchased by multi-state or multi-national banking institutions in the last three years. That is not a commitment to place. These are not institutions that will serve our community as local banks once did.

Community investment is also a commitment to people, - first and

foremost to those people whose needs are greatest. Not to those who can offer the most profitable return, but to those whose needs are greatest. That may be inverted logic in the world of finance, but should not be unfamiliar to Christians.

Finally, and very importantly, community investment is a commitment to specific kinds of projects - those community development projects which address both immediate needs and the systemic roots of social distress. These are the projects that change the structure of ownership, that effect a just distribution of equity and earnings. In our own Revolving Loan Fund, we finance community land trusts, which combine individual and community ownership; we finance limited equity housing cooperatives, where families build equity but make no speculative profits from market appreciation; we finance, where appropriate, nonprofit rental housing or emergency shelters. But we do not finance conventional home ownership in markets where some individuals may profit inordinately, while those at the other end of the market, denied access to credit and the opportunity to purchase, are in deeper and deeper distress.

We finance housing opportunities that provide a range of benefits to their residents, but do not permit speculation or unearned market appreciation. Likewise, we finance businesses owned by workers, consumers, or nonprofit organizations, but not traditional entrepreneurs. These are the guidelines which we have imposed to derive maximum social benefit from the limited investment funds entrusted to our management.

ICE's Revolving Loan Fund

The Revolving Loan Fund (RLF) of our Institute for Community Economics grew out of our experience as technical assistance providers. We are "backdoor bankers," who became lenders out of necessity. We work in low-income communities across the United States, helping people analyze local needs, and explore the ability of cooperative development models to meet those needs. We provide legal assistance; we teach property acquisition, development, and financing techniques; aid in negotiations between community development organizations and public or private agencies.

Too many times, we provided such assistance, helped a group design a project and raised their hopes - only to have those hopes dashed. Our efforts could not lead to empowerment, but only frustration and despair, if there was no capital to carry forward those projects. In 1979, with interest rates and capital barriers rising, we concluded that we ourselves must mobilize at least a modest amount of capital to help these projects get started, to give these organizations a track record, to overcome that catch-22. We knew individuals, churches and other institutions with both investment capital and social concerns; perhaps we could build a bridge between them and community development groups in need of capital.

With this purpose and vision we established within the structure of our nonprotit organization a very simple revolving loan fund mechanism. We approach people like yourselves, individually and institutionally, and encourage them to withdraw some of their money from stocks and bonds and certificates of deposit, and to invest it in this fund. We allow the lenders to designate the amount of their loan, the term, the rate of interest and any special preferences they have for the use of their money - Ontario, Quebec, housing, business, whatever their particular concerns might be. As long as we feel, from our experience, that we can work with the money that they are offering, we will accept the loan.

We will match the terms to the needs of potential borrower and use these funds to finance development in communities that need it most, on terms that enable us to repay our lenders. In other words, if money is loaned to the RLF for five years, we may lend it once or three times, but we will not lend it past the date on which it is due back to the lenders. We typically mark the interest rate by 2% over the rate set by the investor, to cover our own administrative costs on a nonprofit, break-even basis. We may mix funds from different lenders to achieve a larger loan and a better average rate, and then add two percent and lend it out. But we will make sure that our lending activity, the terms of the loans we make, is consistent with our obligations to our lenders. It was a very simple mechanism for very simple people in a very modest endeavor.

Before commencing operations, we sought advice from several progressive financial professionals in New England, the elders of socially responsible investment. To our surprise and dismay, they expressed respect for our good intentions, but advised against our plans. Why? They cited our lack of professional banking experience - and then told us that we would have to have a minimum capitalization of three million dollars, to generate enough earnings to pay "qualified professionals" and to make a "significant impact" on social needs.

These well-meaning financial professionals told us, "These needs are very serious. A house here and a house there are not enough; we need thousands of units of housing!" We wondered why they, who administered some of the largest financial institutions in New England would not build a thousand units of housing. But we determined that if we could build one, then we would do so, God willing, there would be a second, and a third.

In deciding to embark on the "little way" and open our RLF doors, we were following the good advice of Dorothy Day, the founder of the Catholic Worker movement, who used to say, "If you have one month's rent, open a hospitality house, God will provide the rest." We thought we could start a development bank that way. We did need professional advice, of course, so we found an attorney, from a working-class Catholic background, who grew up in the public housing projects in the North End of Boston when it was still a poor neighborhood, graduated from Harvard law and business schools, and

achieved considerable success. His parish priest had repeatedly pressed him, saying, "David, God has been very good to you. What would you like to give back?" So our needs were symbiotic, and he remains a legal advisor to us to this day.

We initiated the RLF with a single $5,000 loan from an individual, a young man who had inherited the money from his grandfather. The money had been sitting in a bank and he was uncomfortable knowing that the bank would invest it in short-term corporate paper and government (military) securities. The next loan came from a woman who sent a little note: "Dear Friends, I understand you help people find socially responsible placements for their money! Please send me your brochure." We were surprised that she knew anything about us. We responded with a description of the embryonic fund, explaining that we did not yet have a brochure, and we hoped for an extended discussion that might lead toward a modest loan commitment. By return mail came a check for twenty thousand dollars and another little note: "God bless you, I'm so glad you're there. Keep this money for five years, and pay me interest twice a year. Thank you very much." And so it began.

I don't mean to sound cavalier in my description of the eearly days of the RLF. We have had good fun along the way, but we are very serious and very conscientious. We knew at the outset that we would be judged by stricter standards than would be applied to any conventional institution. We were expected to fail. If we took losses early on, the beginning would quickly become the end. We were committed to making the RLF work and we are very business-like in the way that we do it.

We made the first loan from the RLF to a young community land trust in northern Maine. For a good price, they purchased a tract of land. With a lot of volunteer labor, and native materials, they built affordable new single-family homes for low-income families, some of them with incomes less than $5,000 per year. Each family became a home owner with a lifetime inheritable lease on a small acreage for food and fuel production.

Fund Performance: Social Impact, Security, and the Ingredients of Success

Over the last 8 years, the RLF has received 280 loans from investors in 35 states totalling approximately $6,000,000. (That should increase to about nine million dollars by the end of 1988). With that money, the RLF has placed almost $7,500,000 in 160 loans to community groups in twenty-three states, with additional loans now pending.

Results have been excellent. The RLF is now undertaking a comprehensive social impact survey. However, in 1985 a trial survey of a representative sampling of 29 housing loans (smaller than the average loan size today, but of these typical of the current portfolio):

- those 29 loans were directly instrumental in the construction of 250 units of housing;

- 86% of those households were low or very low-income households, with the rest moderate-income families in mixed-income buildings;

- 65% were Black and Hispanic families; and 41% were single-parent, women-headed households.

If you look at the complexion of deep poverty in the United States, you find that that is a very credible lending record and an expression of faith in action.

Who are the RLF's lenders? A very diverse group. 85% of them are individuals; most of the rest are religious organizations with a few charitable foundations and other institutions. They are people of every income source and level, every region of the country, every age and occupation. They are Catholic religious orders; Presbyterian and Episcopal congregations; the United Methodist Church in the U.S.; and the National Council of Churches.

Who are the borrowers and how are they chosen? They are broadly described above: community land trusts, housing cooperatives, worker-owned businesses, community service organizations, and more. They are nonprofit organizations and cooperatives in both urban and rural areas that addresss both immediate and long-term community needs, with a high priority given to projects addressing the urgent needs of very low-income people. We look at a variety of factors, both financial and social.

We look first to see if the project is financially feasible. We review the same data and do the same analysis that a bank would do. But we do use some different underwriting standards. We will lend if the families are going to pay more than 30% of their income for housing. We will, on occasion, lend to a 100% of value to a group that doesn't have equity to leverage conventional financing. We do that selectively, often in gentrifying areas where market values are rising and a 100% loan today will achieve a more conventional loan-to-value ratio over time (but no conventional lender will promise an initial bridge loan). We do make loans that the banks won't make, but we do a very careful analysis. You do no one any favors by financing a failure.

We then look at the capacity of the group to carry out this project. It is a viable project in principle, but can these people do it? If they do not already have the skills needed, then we want to make sure that (from ourselves or others), they receive the training and technical assistance that they will need. We don't say, "Sorry, but you don't know how to do this." We say, "These are the skills that you will have to have, the non-financial resources that you will have

to mobilize, to make this project successful. How can we ensure that you have the help you will need to complete this project successfully?" We are advocates - realistic advocates. We are working together in a kind of partnership.

And we look at the social characteristics of the project and the applicant organization. We look not only at the design of the project, but also at the number of people, and the depth of need to be addressed. We look at the breadth of participation and support in the community and the ability of this project to catalyze other developments. The RLF supports many community organizations in their very first development initiatives. The great majority of loan recipients have undertaken successive, often larger and even more significant projects - and many have gained access to more conventional private or public financing.

The success of this lending activity is suggested by the social impact survey mentioned above. Financial performance has also been excellent. To date, the RLF has written off as uncollectible only $1,380 of more than $7 million lent, for a loan loss note of 2/100 of 1%. That rate is well below industry standards for conventional banking institutions. It clearly demonstrates that community investment need not be unduly risky. In fact, no lender has ever lost a penny in the RLF or its many sister funds.

This strong record also demonstrates the importance of that affirmative partnership between lender and borrower. It is critical that managers of funds like these know or understand the people and projects they are lending to and the same is true for any banker. You do not ask somebody to make agricultural loans who knows nothing about the farm sector, and you do not make loans to communities in great need unless you know something about them. The staff of the Institute for Community Economics bring first-and knowledge of distressed communities, poor people, and community development projects, into that lending process. We bridge the social gulf between capital and need.

Personal knowledge of the community development sector is an essential ingredient for successful community investment. So is a low overhead. This is not a high-profit operation. You can break even, you can make it work; but you are not going to make lots of money, and you must keep your overhead low. A fund must have dedicated staff who will work at salaries well below the market rate for finanical professionals, and volunteer advisors and assistants as well.

The third, and perhaps most important ingredient in community investment is the ability to combine the financing with the technical assistance needed to help borrowers make effective use of it. Access to technical assistance, as needed, is essential. Some churches and other early community investors who made loans in the 1960s and early '70s with much good will, but very little technical assistance capability, learned by difficult experience the importance of this combination, and the usefulness of skilled lending intermediaries.

Technical assistance is critical for many borrowers, and it is therefore a critical security factor for lenders.

Loans to the RLF are not federally insured, as bank deposits in the U.S. would be, and of course there is an element of risk in any investment. However, there are, in a sense, four layers of security safeguarding community investors. Together, they can offer considerable protection.

First is that personal knowledge and technical assistance capability - our ability to make a good decision and back up our loans with monitoring, trouble shooting, and practical assistance as needed. Second, the RLF typically requires collateral from borrowers, and holds a pool of mortgages and liens. Third, there are the loan-loss reserve and the fund balance, which are available, if ever needed, to cover losses and to protect our investors. To date, through the combination of earnings and gifts to the fund, the RLF has assembled a loss reserve and fund balance totalling almost $350,000.

The fourth layer of security lies in the similarity of such loan funds to mutual funds. If all of the first three layers of protection were insufficient, and losses were sustained, they would be spread proportionally amongst all current lenders (approximately 250 in the case of the RLF). We feel very comfortable in offering the RLF as an investment opportunity to any individual or religious organization.

The Emerging Community Investment Movement

The RLF is only one of a rapidly growing number of community investment opportunities in the U.S. Many other community development loan funds have emerged in recent years; still others are now emerging. Their structure, methods of operation, and performance are similar to the RLF. There were only a very few funds before 1980. There were the Cooperative Fund of New England, financing producer and consumer cooperatives; the Fund for Humanity of Koinonia Partners in Georgia, financing low-income housing in that area; and the Fund for an Open Society, financing racially-integrated housing at a time when most banks would not. In 1979, these were joined by the RLF, and by the North Country Development Fund (for producer and consumer coops) and the Commonspace Fund (for housing coops) in Minnesota.

From 1980-84, seven new community loan funds were established. Then, in 1985 alone, five new funds began oerpations and seven in 1986 - and even more are now in development. The graph of community investment development shows a steep curve, both in the number of funds and in the volume of capital under management.

The Institute for Community Economics has played a significant role in this expansion. After providing some borrowers with their first community development loans, we began to help them approach religious institutions and other potential investors in thier own communities, through what we called "Faith and Finance Forums." Gradually, the

numbers of potential lenders and borrowers increased in particular regions of the country. There is nothing that community groups talk about more often than where to obtain financing. Even investors, though more restrained, talk to their peers. Word spreads and possibilities increase.

As this occurred, we began to recognize that there was both a need and an opportunity for regional funds that would bring to bear the kind of personal relationships, knowledge and activity, and the presence in their own geographical areas that we, as a national fund, cannot. So first in New Hampshire, and then in metropolitan Philadelphia, in Boston, northern California, Georgia, and a dozen other places, we began to work with new coalitions of groups that came together to create what we call "community loan funds."

Before offering our assistance, we required the participation of three kinds of people in a fund development committee. There must be representatives of the capital sector - people who represent the kinds of organizations and individuals who might invest - both because they bring an accountability and a perspective that is legitimate, and of course because their contacts and experience will be helpful in capitalizing the fund. Equally important are representatives of the community development sector - both because the needy have a moral claim on capital,and also because of the peer judgment and experience that they can bring to bear in evaluating loan applications. It is not enough to be motivated by faith and genuinely concerned; you need access to the community development grapevine. These peers and practitioners can bring information to the loan-making decision table that investors alone cannot bring - and it is vitally needed to make good decisions. Finally, there must be people with the technical skills needed to service the fund itself and its borrowers - people with financial skills, legal skills, technical assistance skills.

When we saw this mixture of people and resources join together, we would guide them through what typically was a year-long fund development process. It took a year, not because it is technically so complex - probably three of us have could done the technical work in a weekend or a week - but there were two parallel processes at work. One was the technical development of the corporation, its policies, structures, and procedures. The other was a process of socialization, taking people from three (or more) rather different backgrounds and welding them into an effective working group. Fund development committees have ranged in size from fifteen to forty or more. Typically they form three subcommittees - to address issues of incorporation and management, fundraising and captalization, and needs assessment and lending - with mixed representation on each.

In Boston, for example, we were first approached by members of Old South Church, a large United Church of Christ congregation. The church was projecting profits from real estate holdings in the coming years and wanted to use some of it to house the poor. They asked our advice regarding the most effective use of this money. We recommended that

some of it be used to expand their existing grant program, because there are needs like emergency shelter that do not generate revenue and thus require grant support. But we recommended that much of it go into loans and be recycled over and over. Then, looking beyond the use of these funds, we recommended that Old South not act alone. Why not use the commitment of this one congregation to inspire and mobilize the others? Why not initiate a more broadly ecumenical effort, bringing other religious institutions and people outside the religious community together for a larger, more effective, more cost efficient combination of skills and experience. And that in fact is what has happened. The Boston Community Loan Fund has now completed two years of operation, loaned more than $1 million, and is strong and growing.

The National Association of Community Development Loan Funds

In 1985, the Institute for Community Economics convened the first national conference of loan funds, where a decision was made to create a national association. In September 1986, the National Association of Community Development Loan Funds, (NACDLF), was incorporated. The NACDLF now has a membership of 30 operating funds, with twenty-five associate members (developing funds that will become full members when they go into operation, and other institutions in the community investment field). Together, the 30 member funds currently manage $35 million - almost equivalent to one small town bank - but the median growth rate is 50% per year.

The Association itself has four purposes and four kinds of activity: membership services and technical support; public education and public relations; public policy advocacy; and financial services. The group has assembled a national reference library of legal and technical documents related to fund development and management, complementing ICE's book-length manual on community loan fund development. It will be available on a voluntary basis as a tool for self-evaluation and training, and will be required for access to the NACDLF's financial services. Press coverage is increasing, and NACDLF representatives speak for the membership at a variety of conferences on socially-responsible investment and other forums. A national directory of loan funds will soon be published. In the area of public policy, the NACDLF was successful in negotiating with the U.S. Treasury Department for an important tax-law modification to remove a barrier to community investors.

Perhaps most interesting, the NACDLF is now creating several new financial mechanisms to increase the flexibility and volume of community investment. There is a model line-of-credit between a bank and a loan fund - already implemented by the South Shore Bank of Chicago and ICE's RLF - which will increase fund liquidity and ability to make the early loan commitments which help to leverage conventional financing. Soon to be operational is a "Seed Fund," to provide initial lending capital to new loan funds, so that they can demonstrate their own capability and attract other investors, and

augment the limited resources of young funds. The Seed Fund has received a $1.5 million investment commitment from the Funding Exchange, a charitable foundation. Finally, a task force of representatives of the NACDLF and various national religious organizations are designing a national mortgage fund or "secondary mortgage market." Intended to be a placement for large, long-term institutional investments, this secondary fund will purchase or refinance real estate loans that were made and seasoned by member funds.

In these and other efforts, the NACDLF and its member funds increasingly collaborate with other insitutions in the wider community investment movement. One of these is the South Shore Bank in Chicago, which has the full range of conventional financial services and relationships. South Shore Bank is perhaps the only bank in the U.S. established specifically to finance redevelopment in an economically-depressed community; but similar banks are being organized in Brooklyn, New York, and Austin, Texas, and the governor of Arkansas has asked the South Shore Bank to form a state-wide development bank in that state. In addition to these banks, there are several venture capital funds that focus on equity investments in worker-owned businesses or low-income housing projects, such as Affirmative Investments in Boston.

Then, there are community development credit unions and the National Federation of CDCUs, which predates and in many ways parallels the NACDLF, with many more members. These credit unions are much better suited to provide consumer banking services in low-income communities; but under U.S. regulation, they have much less flexibility in financing community development organizations and projects. In a sense, the community development loan funds and credit unions are natural allies providing complementary services. Perhaps some day regulatory reform and a more formal institutional relationship will be possible and beneficial.

Community development loan funds interact with all of these groups within the community investment movement - and with many more institutions and financial professionals in the much broader spectrum of socially-responsible investment, which includes the brokerage firms, mutual and money market funds that apply social screens to conventional stocks and bonds. It has taken time to build trust and effective working relationships amongst all these parties, but that has occurred and is growing. Quite a number of professional investment advisors and brokers in the U.S. are now beginning to refer clients to NACDLF member funds or to place client money in these funds.

Some constructive relationships are also developing with banks, partly motivated by the potential challenges, under the federal Community Reinvestment Act, which requires banks to put money in low-income communities. Increasingly, these banks and many public-financing programs are seeking advice from loan funds or taking a cue from their lending efforts. ICE's RLF was virtually the only lender for community land trusts when that model was new; but now at least a

half-dozen state housing finance agencies and a number of banks have begun to make these loans, and legislatures in the states of Vermont and Connecticut have recently passed community land trust funding bills. One of the most important functions of community development loan funds, with their relatively few dollars, is to help specific groups and new development models build a record that others will respond to. The real impact of these funds cannot be measured only by the number of their loans or dollars lent. Directly, as subordinate lenders, they may leverage several (or many) dollars of conventional financing for each dollar they themselves lend. But the indirect leverage - the credibility given to development models, and the capacity given to community development organizations that leads them on to additional projects and other sources of financing - is substantially greater.

The Role of Religious

Without a doubt, however, the most extensive and important institutional support and participation in loan fund development has come from churches and religious organizations. From the outset they have played a very central role.

Churches and religious orders have been significant lenders to ICE's RLF, and to every other community development loan fund. There is not a single one of the new loan funds around the country in which the development committee and the board does not include religious representation. Churches, church people, representatives of religious orders and denominational bodies have been active in helping to create and manage these funds. And the churches are also at work in the neighborhoods helping to organize and sustain the development projects that make loan applications.

There are many very practical roles for churches, and religious organizations,working in concert with the wider community. But the most important role for the churches still remains the prophetic role, the educational role, in a sense the political role. As religious people, put your dollars to work - there are new investment opportunities open to you. Join with your neighbors and with your peers to organize loan funds. But preach. Evangelize. Because the real issues are still issues of faith.

There are still hurdles to overcome if we are to "mainstream" community investment, so that it is seen as a fully "responsible" investment decision. There are three traditional tests of prudence: risk, rate of return, and the test of time. Trustees are expected to make only those investments that a "prudent man" would make.

The issue has already been addressed. While there is always some risk, the risks inherent in community investment are not unreasonable or imprudent. It is certainly possible to achieve a higher rate of return from some other kinds of investment, but community investment, if required, can compete with savings accounts, money market funds, and

some certificates of deposit - providing the same return that every religious investor presently receives on at least a part of your portfolio. There is more money to be made on Wall Street, but community investment offers a credible range of opportunities adequately satisfying the fiduciary responsibilities of charitable trustees.

The third test - of history and proven performance - is the most difficult. We know that it will take time to overcome the inhibitions that religious-investment managers and others may feel. We will persevere, we will wait - but the poor cannot be asked to wait forever. The Gospel calls on the church and the faithful to lead the way.

It is time for those who manage church investments to take a serious look at restructuring their portfolios and reallocating their capital. The NACDLF encourages religious investors to define their commitments, not as a number of dollars from earnings off stocks and bonds, but as a percentage of their portfolio, to accept community investment as a credible, core-portfolio investment. To the extent that church investments are maintained to fund service and mission programs, it can reasonably be argued that greater good might be done through a combination of community reinvestment and expenditure of earnings (even if those earnings were less than conventional markets might provide). But all religious investments should be re-examined in the light of the Gospels and the priciples of faith.

Those tests of prudence - of risk, return, and history - are also tests of faith. Most central to the Christian faith is its central metaphor of a man coming to terms with risk, with fear, and even with suffering. Christians are not asked <u>whether</u> they will take risks - Christians are asked <u>for whom</u> they will take risks. In one form or another, this principle is inherent in every great religious teaching. Be prudent, be reasonable, look hard, ask tough questions - but accept the challenge of faith.

ALTERNATIVE INVESTMENT IN CANADA:

ACHIEVEMENTS AND CHALLENGES

Ted Jackson

Presented to the Workshop on Alternative Investment, sponsored by the Taskforce on Churches and Corporate Responsibility, Toronto, May 29, 1987.

Introduction

A growing number of institutions and individuals in Canada are turning to alternative investment as a means of achieving both social and financial objectives. It is important that prospective alternative investors understand in some detail the nature of Canadian experience in alternative investment to date in order that they may plan appropriate strategies for participating in this field.

The purpose of this paper is to review Canadian experience in alternative investment in terms of both its overall character and some of the key organizations presently active in the field today. In addition, the paper identifies a number of challenges facing alternative investors in the late 1980s and early 1990s.

Definition

Alternative investments are defined here as investments in community-based initiatives that create or save jobs and provide other economic and social benefits to workers and local residents. Alternative investments may be debt-based or equity-based. Typically, alternative investments are routed through intermediary organizations--such as banks, credit unions, foundations or revolving funds--that screen investment opportunities for business viability as well as local benefits.

The history of alternative investment in Canada is long and rich, but relatively unknown. Even though Canadians have seldom used the term "alternative investment" our experience in this field is broad. Once they

are recognized, our achievements can be built upon and expanded.

Experience to Date

Our experience in alternative investment has been uniquely Canadian. Overall, this experience may be described as follows:

A Diversity of Organizations

A wide range of organizations engaged in alternative investment have been developed across a number of social movements and economic sectors: credit unions, religious organizations, trade unions, community groups, Aboriginal organizations, international development agencies and the peace movement, and private foundations have all initiated alternative investment activities.

A Diversity of Regions

Each region of Canada has produced a unique array of alternative investment organizations. In Québec credit unions and trade unions have been major forces, as has been the case in British Columbia as well. In Atlantic Canada, community development corporations have prospered. In the North, Native development corporations and co-operatives dominate the alternative investment landscape.

Significant Growth

Over the past decade in particular, there has been significant growth

among the organizations involved in alternative investment in this country. Dozens of such organizations report assets in the millions of dollars. Some, such as Québec's Solidarity Fund ($ 90 million) and Peace Hills Trust of Alberta ($110 million), are very large.

State Participation

In the Canadian experience at the community level, for better or worse, the state has played a major role. Many alternative investment organizations in rural and remote areas, for example, have been established initially with federal job creation funds. The downside of state involvement has been the short-term nature of funding, the lack of continuity in programmes, and the effect of patronage on funding decisions. The upside is that some funds have in fact been directed to important initiatives. It should be noted that there is also a tradition in the Canadian experience which has remained generally independent of the state and this is shared by credit unions and co-operatives, churches and religious organizations and trade unions.

Low Visibility

Alternative investment activity in Canada, to say the least, has not enjoyed a high public profile. Alternative investors in this country have not actively sought broad publicity for their efforts. Most efforts in this field have been of low visibility.

Fragmentation

Canadian initiatives in alternative investing have been fragmented across social movements, economic sectors and geographic regions. Communications across these divides has been rare. Experiences have not been shared widely. Many efforts have remained localized. Most seriously, perhaps, the allocation of scarce resources--capital and technical assistance primarily--has not been coordinated nationally or regionally. Coordinating organizations for alternative investment that span movements, sectors and regions do not exist. There has been little about alternative investment in this country that has been purposeful and planned on other than a local level.

Lack of Mechanisms to Match Investors with Opportunities

There are no comprehensive mechanisms designed expressly to match alternative investors with viable investment opportunities. Although computerized matching services exist in the private small business sector, through the Federal Business Development Bank and the Ontario Chamber of Commerce (Computerized Ontario Investment Network), for instance, a similar service has not been developed for the community-based enterprise sector.

On the whole, then, alternative investment in Canada has been rich, diverse and has achieved significant growth; but it has also been fragmented, uncoordinated and generally unplanned.

Sites of Experience

In order to develop a strategy designed to maximize the potential of alternative investment in this country, it is instructive to review some of our more important recent experiences.

Canadian experience in alternative investment can best be examined in terms of sites of experience. Generally, such sites relate to particular social movements and social organizations, each of which has engaged in alternative investment for its own set of reasons.

The achievements are impressive. A wide range of mechanisms for alternative investment now exists and can be further developed. Canadians are making alternative investments every day throughout the country in every province and territory.

Co-operatives and Credit Unions

Co-operatives and credit unions have always been both a source and recipient of alternative investment. In recent years leaders in this sector have sought to diversify their investment instruments to meet changing conditions in the economy and as a result have expanded Canadian opportunities in alternative investment.

One area where the co-operative sector is esecially active is co-operative housing. The federal government has announced a government-backed mortgage for co-operative housing that will be marketed to pension funds and other institutional investors. The

Co-operative Housing Foundation, started nearly 20 years ago by the co-operative sector, organized labour and the churches, offers investors the Risk Underwriting Fund ($.5 million in assets), which provides loan guarantees, bridge financing and cash-flow assistance for member co-operatives. The United Church of Canada is an investor in this fund.

Assets controlled by Canadian credit unions and caisses populaires now total nearly $50 billion. Some (but certainly not all) credit unions have paid special attention to supporting community enterprise. The Desjardins movement in Quebec operates a development fund for new co-operatives ($.3 million), a worker co-operative program and a construction loan program for co-operative housing. The Ontario Credit Union Central is sponsoring a series of workshops and studies on community economic development. Vancouver City Savings Credit Union has launched a lending program for community enterprises.

Furthermore, a group of "new wave" credit unions, some now ten years old, have placed special emphasis on services to community-based initiatives. Examples include the Community Congress for Economic Change Credit Union in Vancouver ($1.6 million in assets and 1,000 members), Bread and Roses Credit Union ($1.9 million in assets) and the Ottawa Women's Credit Union ($ 3 million and 2,500 members).[1]

The Churches and Religious Orders

Canadian churches and religious orders, individually and collectively, have long provided small grants to local organizations engaged in community development and job creation. Interest is growing, however, in finding

ways of making investments as well as grants for social purposes. One important response has been the creation of the Canadian Alternative Investment Co-operative (CAIC), with assets of $ 2 million and about 40 member organizations. The co-operative invests in government-backed mortgages for co-operative housing, treasury bills and new ventures involving worker co-operatives and non-profit employment programs.[2]

Many individual churches, orders and other religious organizations have invested in assets which provide a service to the community, particularly housing and care for seniors, and that need will increase significantly over the next 20 years. At the same time, there is interest in some quarters of developing a more comprehensive strategy for alternative investment. One mechanism is program-related investments (PRIs), practised widely by national churches and foundations in the United States. PRIs are loans or equity investments made for programmatic reasons. As loans are repaid or equity is sold, the proceeds revolve into a general fund for use as PRIs elsewhere.

Organized Labour

Organized labour can be a key player in alternative investment. In particular, some unions, especially those in the private sector, enjoy (or can win) significant influence over the use of their members' pension funds. In British Columbia, the Carpenters Union, the Union of Operating Engineeers and the Telecommunication Workers Union have all invested a portion of their pension funds in community projects that create jobs for union members and benefits for the local community, such as co-operative and low-income housing and other facilities.[3]

In Québec, the Québec Federation of Labour has sponsored the Solidarity Fund, which now boasts $ 90 million in assets and 20,000 investors. The fund provides investors with RRSPs and other tax breaks and a market rate of return (about 9 per cent last year) and, in turn, invests a portion of its own capital in Québec-based businesses in the manufacturing and resource sectors. Moreover, the Solidarity Fund is a possible source of investment for community enterprise and is negotiating a number of opportunities in this area.

At the local level, a number of unions have been involved in worker buyouts or conversion to worker co-operatives. Again, Québec has been the site of most of this experience, but there are instances in English Canada as well. There is also interest in exploring collaborative efforts between municipalities and organized labour, and the Labour Council of Metropolitan Toronto has provided leadership in this discussion.[4]

The Community Economic Development Movement

The community economic development movement in Canada is now roughly ten years old. The movement is a loose network of hundreds of community organizations, local development projects, community enterprises, community loan funds, technical assistance and educational groups and policy analysts in rural and urban communities across the country. Although a national CED organization has not yet emerged, evidence of the movement exists in a lively literature, dozens of conferences and workshops and several university courses.[5]

CED refers to a variety of approaches for addressing unemployment, dependency and underdevelopment that maximize the use of local resources (especially human resources), emphasize meaningful community involvement and promote local self-sufficiency. Business techniques are applied, under community control, to meet both economic and social objectives.

One of the most common organizational structures employed in CED efforts is the community development corporation, a non-profit umbrella agency with business and social divisions. In the business division, the CDC may operate wholly-owned, for-profit subsidiaries, finance (through preferred shares or loans) co-operatives or engaged in joint ventures or partnerships with private or public interests. A growing number of CDCs also develop their own venture capital pools, and often incorporate them as separate entities, to finance their new enterprises. CDCs sometimes also sponsor enterprise centres that provide facilities and services to incubate new businesses.

It is likely that there are now no fewer than 200 CDCs around the country,many of which are very recent and small. Among Canada's most successful CDCs are New Dawn Enterprises of Cape Breton ($12 million in assets, much of this in real estate), MCGDIL Corporation of Guysborough, Nova Scotia ($.5 million in venture capital pool) and Colville Investments of Nanaimo, B.C. ($.75 million in assets and 650 jobs created). In Québec, successful CDCs have been initiated in the South Shore and Gaspé regions and, more recently, in Montréal. The National YMCA, through its Job Generation Program, has built a network of Youth Enterprise Centres linked

to local YMCAs across the country.

Another element in the CED movement is the community loan fund. Not many exist in Canada yet, but this structure is attracting increased attention. A non-profit corporation with a community board, this type of loan fund seeks to invest in co-operatives, community enterprises and non-profit organizations through short-term (one to three years) loans offered at favourable interest rates (eg. one per cent below local credit union rate). The board's job is to ensure a viable mix of investments that permits the capital of the fund to grow over time.

One example of a community loan fund is that of Communityworks, Inc. of Ottawa, a non-profit corporation providing financing to community enterprise in eastern Ontario. Communityworks provides loans and guarantees of up to $ 20,000 to housing co-operatives, food co-operatives, service co-operatives (eg. day care, garage, funeral services) and non-profit educational or cultural organizations. One third of the fund's $ .35 million in assets is devoted to its loan portfolio; one third is invested in term deposits at a local credit union, in CHF's Risk Underwriting Fund and in ethical mutual funds (eg VanCity's Ethical Growth Fund, the Summa Fund of Winnipeg and Energy Probe's Environmental Fund); and the final third is allocated to a subsidiary corporation to promote non-profit housing.

One identifiable tendency within the CED movement in Canada is growing concern with environmentally sustainable jobs. This tendency cuts across CDCs, community loan funds and other mechanisms and, although it is not a dominant tendency, it is a vibrant one. Many community enterprises in the

movement are involved in recycling, for example, and in other conservation activities such as reforestation, aquaculture and so on. Some thinking is now taking place with respect to future markets for clean technologies. Awareness of the "sustainable option" continues to grow. [6]

Aboriginal Organizations

It is estimated that there are over 5,000 businesses that are owned and operated by Native people across Canada and that these businesses contribute up to $ 1 billion annually to the national economy.[7] Over the past ten years, Aboriginal organizations have moved from social concerns to economic ones. There are now in place hundreds of Native organizations engaged in a wide range of economic development activities.

Native financial institutions are still rare, but those that exist have prospered. The largest such institution is Peace Hills Trust, the first Indian-owned trust company in North America, with assets of $110 million and a mortgage and loan portfolio of nearly $50 million. About half of the trust's lending activities are with Native enterprises and interests. Owned by the Samson Band, near Edmonton, and financed by oil revenues, Peace Hills offers a full range of banking services.

Another important Native financial institution is the Indian Equity Foundation ($1.6 million in assets), also based in Alberta. A charitable foundation formed by the federal government, Syncrude Limited and the Indian Association of Alberta, the fund provides interest-free, subordinated loans to treaty Indians starting up new businesses.

A third well-known Native financial institution is also located in Alberta. The Saddle Lake Credit Union--Canada's only on--reserve, Native-owned credit union--provides services to Band members. The credit union manages assets of $.6 million and is operated by 600 members. Another Native credit union, the Med-ian Credit Union of Manitoba, serves 2,600 members of the Manitoba Metis Association and manages assets of $2 million.

During the 1970s and early 1980s hundreds of Aboriginal development corporations were spawned in all parts of Canada. Some are very large; others quite small. Typically, they are owned by local and regional Native organizations and function like "mini crown corporations." They often act as financial institutions as well as business enterprises.[8]

A number of Native development corporations have experienced significant success. SINCO Developments Ltd. of Saskatchewan ($ 3.2 million in revenues in 1982) and the Dakota-Ojibway Development Group of Manitoba ($1.3 million in business projects in 1982) are two examples in southern Canada. North of the 60th parallel, where advances on land claims monies have been used as capital, Native corporations have flourished. The Yukon Indian Development Corporation, the Metis Development Corporation of the NWT and the Denendeh Development Corporation have become involved in business ventures in both renewable and non-renewable resources and in the service sector (eg. real estate, arts and crafts, country food).

The Inuit have been particularly active in using development corporations as business tools. The Inuit of the eastern arctic, through Nunasi

Corporation, have invested in a gold mine, an airline, and transportation company and hotels. In the western arctic, the Inuvialuit Development Corporation has enjoyed success in business ventures as varied as oil and gas exploration, real estate, a taxi company, a transportation company, and high technology research.

A third Inuit corporation, Makivik Corporation, was formed to invest compensation monies flowing from the James Bay and Northern Quebec Agreement, a land claims settlement. Makivik, with a net worth of $ 8 million, operates an airline, construction company, maintenance company and travel agency. The corporation also administers a $ 1 million community development fund to support projects that create local jobs and services.

The largest Native investor in the country is the Board of Compensation of the Cree Regional Authority, also financed by compensation monies from the James Bay agreement. With assets of $ 145 million, the board is a key player in Quebec's regional economy. Most of its assets are invested in stocks, bonds and other securities, but about $ 40 million is available for investment in northern Quebec. Recently the board assisted a local band corporation to conclude an agreement with Yamaha Motor Co. of Japan to manufacture computer- designed, freighter canoes for northern use.

Not all Aboriginal organizations are engaged in community-based economic development. Some focus their investments on business ventures outside their home region, or on businesses unrelated to Native needs. Alternative investors must assess this matter carefully. Furthermore, to date there have been few instances of collaborative investing on the part of

Aboriginal and other social movements. New arrangements, whereby non-Native investment monies can be received and managed by Aboriginal organizations, must be established.

International Development Organizations

The field of international development also offers opportunites for alternative investment. Dozens of Canadian non-governmental organizations are engaged in international development activities that promote self-help among the poor in developing countries. However, to date at least, most of these groups only offer the opportunity to donate to, as opposed to invest in, these activities.

One exception is the Ecumenical Development Society of Hamilton Inc., a Canadian Branch of the Ecumenical Development Co-operative Society. The society is an international development bank started by the World Council of Churches and headquartered in the Netherlands. The society makes loans to self-help projects in hard currency that must be repaid in hard currency as well. investors in Canada purchase shares in EDCS through the Hamilton affiliate in order to support overseas activities. An annual dividend of two per cent is paid on these shares.

There are many organizations serving the financial needs of the poor in the South that are deserving of investment support by Canadians. The Grameen Bank in Bangladesh, with 250,000 borrowers and a repayment rate of more than 95 per cent, is an important example.[9] So is the women's credit program in Lesotho. There are dozens of examples. Generally, what is needed are mechanisms to link investment

opportunities in the South with investment monies in the North.

The Peace Movement

The peace movement is another source of opportunities for alternative investment. In particular, monies can be donated or loaned to the Peace Tax Fund or Peacefund Canada. The Peace Tax Fund, initiated by Conscience Canada, a Victoria-based peace group, is a trust account established by Canadians who wish to redirect that portion of their federal taxes (12 percent) that is used for military purposes. Conscience Canada is sponsoring a court case on the right of Canadians to do so and is drawing on the fund for legal fees.

Peacefund Canada was started by the International Council for Adult Education, the Canadian Association for Adult Education and L'institut canadien d'education des adultes, together with several NGOs (including CUSO, Oxfam Canada and Inter Pares). The purpose of the fund is to finance peace education projects in Canada and abroad, with an emphasis on employment creation. The fund provides small-scale support to projects in Africa, Asia, the Caribbean and Latin America.

Much more could be done in the area of alternative investment for peace. The conversion of weapons-related and military production to peaceful production and socially useful products is a political and economic priority among advocates of peace. Investment is required for feasibility studies, market studies and for the conversion process itself. Churches, organized labour and community groups should explore possibilities in this area.[10]

Private Foundations

There is strong interest in alternative investment among a handful of charitable foundations in this country. Two Toronto-based foundations, the Laidlaw and Calmeadow foundations, are exploring possible PRI strategies. Calmeadow, for its part, is investigating a credit program for small Native entrepreneurs in northern Ontario. Increased interest among foundations in alternative investment means increased capital for community enterprise.

The Challenges Ahead

Advocates of alternative investment are faced with a number of challenges over the next decade. These challenges suggest some of the elements of an action plan that can move alternative investment in Canada from a rather invisible, fragmented series of activities to a coordinated and integrated movement.

Mapping Investment Opportunities

Detailed research must be conducted in order to literally "map" the thousands of alternative investment opportunities that exist across the country. Hard data are required on the viability of opportunities both at the intermediary level--through credit unions, loan funds, venture capital pools, foundations and banks--and the enterprise level.

The infrastructure exists to carry out such a mapping process. Experienced researchers and technical specialists in business, finance, law and policy are situated in all parts of the country and could conduct the study on a regional basis. Computer linkages could be used. What is needed is an agency to coordinate the study and to disseminate the results to potential investors.

Creating New Mechanisms

Although Canada enjoys a surprising number and variety of alternative investment mechanisms, new mechanisms must be created. There are many possibilities. Small business investment corporations and partnerships, owned and operated by social organizations, could be used to direct investments into co-operative and non-profit housing and othe real estate projects serving community needs. RRSPs and RRIFs managed by credit unions could be directed into alternative investments (ie. "socially directed" RRSPs). Small business development corporations and stock savings plans could be organized to direct their investments to co-operatives and worker-owned enterprises.

Program-related investment programs can be implemented by churches, foundations and other non-profit agencies on a national, regional or local scale. Community land trusts, non-profit corporations that hold land for communities, could be established in rural and urban localities alike. Investment advisory services that specialize in linking investment capital to investment opportunities, and actively screen opportunities and monitor and support investments, are essential mechanisms for the future.

Developing a National Network

Canada is a complex nation made up of disparate regions and peoples. For alternative investment to grow to its fullest potential, some form of national support network is required. Such a network could be developed by a coalition of interests including the churches and religious orders, organized labour, the co-operative movement, Aboriginal organizations and the community economic development movement. Governments, both federal and provincial, could provide assistance to the network in the form of development finance, favourable tax regulations and enabling legislation.

The elements of a national network for alternative investment would include at least the following:

- a network of national, regional and local financial institutions that coordinate their efforts in financing community initiatives;
- a national computerized inventory (accessible on-line) of alternative investment opportunities and record of performance of existing alternative investments;
- a national marketing organization, designed specifically to market the goods and services of community enterprises across the country;
- a roster of qualified organizations and individuals to provide technical assistance and training, particularly in business law, accounting, marketing and management, at a regional level;
- a non-profit, membership-based national organization that will lobby for the interests of alternative investors and promote communication, information and education within the network.

Regional workshops would be critical inputs to any process that tested the viability of a national network. If a national network were judged viable, a national conference would be the next logical step.

Minimizing Risk

There is an inherent tension in alternative investment between social radicalism and fiscal responsibility. Both tendencies are fundamental to successful alternative investing. But even social radicals must concede that alternative investment is generally high risk in nature. How can the level of risk be made acceptable?

First, rigorous study of investment opportunities must be carried out. Business viability must be demonstrated. Comprehensive business plans and clear financial reporting are important. Second, technical assistance must be made available to community enterprises in their crucial start-up period (the first three to five years). Again, accounting, marketing and management are key here.

Third, extensive use of intermediary organizations should be made. Credit unions, loan funds and venture capital corporations can pool the money of many alternative investors. Intermediaries themselves have proven management records which can be assessed. They are likely to screen investments in some detail because their own record as financial managers is on the line.

Finally, alternative investment portfolios should be diversified. Some alternative investments should be made in real estate projects, which are

secure investments. Others could be made in credit union term deposits. A portion, but never all, should be placed in higher risk ventures such as new community enterprises. Exactly what portion this is will depend on the objectives and resources of the investor.

Constructing Social Investment Portfolios

In the final analysis, the task is actually broader than constructing alternative investment portfolios, though this is a demanding task in itself. Rather, the task is to develop social investment portfolios. Social investment refers to alternative investment and socially responsible, or ethical, investment in stocks and bonds. The challenge before the churches and religious orders, and other social organizations, is to construct progressive and prudent portfolios that include, among other things, socially screened stocks and bonds, ethical mutual funds, labour investment funds and alternative investments in co-operative and non-profit real estate, credit union savings instruments and loans and shares in community enterprise.[11]

Moreover, the challenge is to increase the size of the social investment portfolio relative to the institution's overall investment portfolio over time. Such an increase will be possible as social investments demonstrate a record of viable financial performance.

Mobilizing Friendly Capital

All sources of "friendly" capital must be mobilized for alternative investment to mature in this country. The accompanying figure illustrates

the major sources of friendly capital available for alternative investment. What is required, in essence, is a process of coalition-building across these sources: governments, community organizations, organized labour, responsible mutual funds, foundations, banks and trust companies, credit unions and individuals.

Churches and other religious organizations may be able to play a catalytic role in the coalition-building process. Identifying common interests and common goals is an important task, as is formulating joint ventures and partnerships to strengthen relationships between coalition members.

Building Assets

Community-based enterprises must build strong asset bases in order to prosper in the long-term. Assets permit more flexible financing arrangements, particularly for the purposes of expansion. One of the most common methods of building assets is through real estate. Co-operative and non-profit housing, seniors' facilities, health care facilities, group homes, hostels and hotels and office buildings have all been built and managed by community-based sponsors. Community land trusts are mechanisms that enable communities to accumulate real estate assets.

Promoting Emerging Industries

Alternative investors in the late 1980's and early 1990's must target a significant portion of their investments to emerging industries. "Sunrise" industries should be promoted, where prospects for long-term growth are promising. Socially useful sunrise industries are even more attractive to

alternative investors. For example, the production and distribution of technologies that can clean up the environment (eg. water treatment, garbage disposal) are likely to increase in importance in our society. So too will energy efficient transportation systems and health services for the elderly. Forward-looking investment strategies are necessary for investors, workers and citizens alike.

While the primary focus of alternative investment is, by definition, the support of community enterprises that meet local needs, there is no reason why the goods and services of these enterprises should not be marketed outside the community as well. Investments should be assessed in terms of their export potential as well as their ability to satisfy local demand.

Strengthening Linkages

Alternative investors should develop strategies that will strengthen linkages across social movements and organizations. For this reason, joint investment ventures are important. Working together on alternative investments may facilitate working together on other issues, political, social or economic.

Moreover, alternative investors can assist in creating or expanding linkages across, in particular, organized and unorganized workers, rural and urban communities, Native and non-Native organizations, and other typically unrelated groups. Alternative investors can assist women's organizations across the country to work together economic alternatives. There are many possibilities. What is needed is the vision and the

infrastructure to make it happen.

Learning By Doing

Alternative investors must learn by doing. There is no better teacher than experience. However, steps should be taken to ensure that the learning process is conscious, reflective and critical. Conferences and workshops should be sponsored to extract lessons from experience. Studies and evaluations should be commissioned for the same purpose. The documentation of experience, in print or electronic media, is a basic task in this regard.

Learning should be promoted at all levels and in all sectors of alternative investors, from workers and citizens at the local level, through the staff of intermediary organizations, to the staff and boards of investing institutions. Dialogue should be horizontal as well as vertical.

Conclusions

Canadian experience in alternative investment is rich. Our achievements in this field are impressive but little known. There is much of which to be proud. In order to move the theory and practice of alternative investment forward, to expand the quantity and quality of investment opportunities, a number of challenges must be met. Canadian churches and religious orders can play a major role in meeting these challenges. In concert with their allies, they can serve as catalysts to a new movement. The future of alternative investment in Canada is bright. There is much to be done.

NOTES

1. In English Canada, the key umbrella organization in the co-operative sector is the Co-operative Union of Canada, based in Ottawa. See the union's Co-operatives Canada '86 for current data on the co-operative sector.

2. See "Double Dividends", a pamphlet on CAIC (P. O. Box 160, Station V, Toronto, Ontario M6R 3A5). Only charitable organizations may become members of the co-operative.

3. Patricia Lane, Investing in social change -- profitably. New Directions, April/May, 1986, 18-21.

4. An excellent source of information on worker ownership is Worker Co-ops (c/o Centre for the Study of Co-operatives, Diefenbaker Centre, University of Saskatchewan, Saskatoon, S7N 0W0). Another important source is Connie Mungall, More Than Just a Job, Ottawa: Steel Rail, 1986, a book of interviews of worker-co-operators across the country.

5. A useful overview on CED is provided by Greg MacLeod in New Age Business, Toronto/Ottawa: Lorimer/Canadian Council on Social Development, 1986. From a different point of view, so is David P. Ross and Peter J. Usher, From the Roots Up, Toronto/Ottawa: Lorimer/Canadian Council on Social Development, 1986.

6. On sustainable economic development, see Alternatives, a quarterly published out of the Faculty of Environmental Studies at the University of Waterloo, especially issues 12 (3/4), 1985 and 14 (1), 1987.

7. This estimate was developed by the federal government in 1986.

8. M.S. Whittington, Native Economic Development Corporations: Political and Economic Change in Canada's North. Ottawa: Canadian Arctic Resources Committee, 1986.

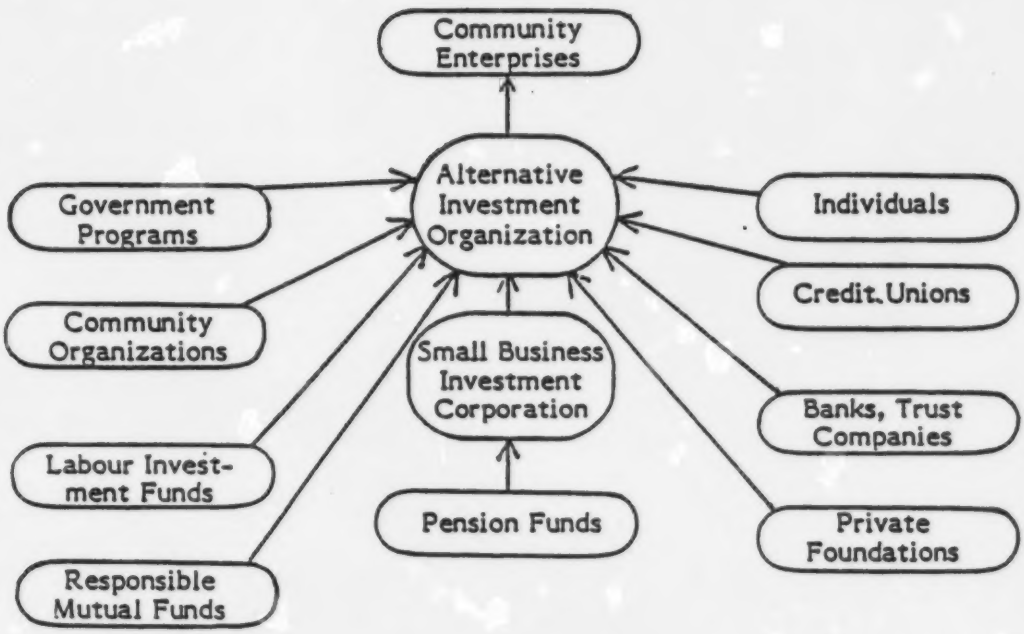
9. Halinah Todd, Banking on the People, South, December, 1986, 78-79.

10. An excellent source of ideas and analysis on conversion is found in Gordon and D. McFadden (eds), Economic Conversion: Revitalizing America's

Economy. Cambridge: Ballinger, 1984.

11. On ethical investment, see Ted Jackson, Truly Good Investments, Policy Options, May, 1987, 29-30; Leonard J. Brooks, Canadian Corporate Social Performance, Hamilton: Society of Management Accountants of Canada, 1986; Steven D. Lydenberg et al, Rating America's Corporate Conscience. Reading, Mass.: Addison-Wesley, 1986; Amy Domini and Peter Kinder, Ethical Investing, Reading, Mass: Addison-Wesley, 1986.

Sources of Capital For Alternative Investment



REALISM IN CHURCH FINANCING

J.R. Ligertwood, C.A., Treasurer

General Synod of the Anglican Church of Canada

I have received the following directive from Philip Creighton:

> "I would appreciate it greatly if you would speak to the realities of church financing, both general and pension, in the 1980s as [they] relate to alternative investments. I have allocated 10 minutes to your session..."

To boil "the realities of church financing, both general and pension" down to a 10 minute stew will take a Julia Childish ability which I'm not sure I possess.

Nevertheless, from a national Anglican Church of Canada perspective only, let me say the following:

We have two investment funds - the Pension Funds with a market value of about $150 million at March 31, 1987; and the Consolidated Trust Fund with a market value at the same date of about $10.75 million. The latter fund is the repository of the investments of national trust and general funds and of those of some dioceses and institutions.

The Pension Funds are responsive to the usual investment guidelines for such funds and have 3 investment managers. There are 7 trustees who oversee the investment with the help of a measuring service. Actuarial valuations are carried out every 2 or 3 years and, since 1963, the Pension Funds have shown an actuarial surplus, most recently, in 1984, in the amount of $8.5 million.

Since 1966 the actuarial surplus has been used:

- to lower the normal retirement age from 70 to 65
- to increase pension benefits for retired members
- to increase past service credits for active members
- to increase the disability benefit
- to increase death benefits for retired members and spouses
- to improve the pension formula so that members now accrue 26.7% more in accrued credits each year than in 1961 [even though the assessment has remained at 13% of salary]

Thus, the kinds of investments acquired by the Pension Funds are extremely important to the members of the plan. The Trustees have been quite edgy about making investment decisions based solely on social responsibility criteria. And they have been

advised by their legal counsel that company proxies in the name of the Pension Funds cannot be assigned [e.g., to members of our Public Social Responsibility Unit], but rather they must be exercised by a Trustee. The Trustees have been concerned that they should act only in the best interests of the members of the plan, and, therefore, they have consistently avoided exercising proxies in favour of Church-sponsored shareholder resolutions.

The other investment fund - the Consolidated Trust Fund - has been directed by our National Executive Council to make proxies available on request of the P.S.R. Unit, and to purchase a few shares to permit the Church to involve itself in shareholder resolutions. However, these latter purchases are maintained outside the investment fund. Royal Trust are investment managers of this fund and have absolute discretion in making specific investments. There is an Investment Sub-Committee of our Administration & Finance Committee, and this sub-committee simply acts as a reflective body with Royal Trust, and recommends broad investment guidelines: e.g., 35% equities, 65% bonds and short term/cash.

A number of dioceses have been using their invested funds in a manner similar to that of the Consolidated Trust Fund: i.e., they have made proxies available to the P.S.R. Unit. In addition, there have been one or two cases of disinvestment of shares of companies operating in South Africa.

The "realities of church financing", in the case of the national Anglican Church of Canada really revolve around the conservatism of the investment community and the activism of those in the corporate responsibility field. While in some churches those two groups appear to have come to a meeting of minds, such is not the case - yet - in our Church.

Perhaps I could summarize our situation as follows:

1. We have no unallocated funds which permit us to invest in low or no income securities or projects.

2. At least some of our Pension Trustees are not persuaded that their role is to do anything more than ensure the highest possible pensions for members of the pension plan.

3. There are, minimally, differences of opinion among members of the Church as to the desirability and efficacy of boycotts, disinvestment and lobbying as legitimate pressure tactics.

4. Many investment people see their role as exclusively related to that field alone; the social responsibility aspect of investing is not a priority item for them: in fact, it might almost be said to be foreign to their nature.

5. "South Africa", as an investment issue, has been around so long that at least some fund managers find such matters as the Sullivan rule, percentage of corporate sales in South Africa, degree of corporate ownership to be rather passe.

As you can see, those are rather random statements. But they add up to the following:

There is a gulf fixed between those responsible for national Anglican investments and those who carry out the terms of reference of our Public Social Responsibility Unit.

29/05/87.

HEARTH HOMES

AN ALTERNATIVE INVESTMENT?

A
Presentation
to the

Taskforce on the Churches
and
Corporate Responsibility Workshop
on
Alternative Investment

Jennifer Foster, Executive Director
Interchurch Housing Society
Kentville, Nova Scotia

May 29, 1987
Deer Park United Church
Toronto, Ontario

The homeless are indeed the most egregious symbol of a cruel economy, an unresponsive government, a festering value system. The homeless are human beings: hurting, crying, bleeding, sweating, freezing human beings. To rage against such visible human suffering is the right course; it is the moral course; it is the true course.
So we must rage, and we must reason and we must work, and we must build.
And we must - and we shall - shelter the homeless.

Robert M. Hayes, founder,
Caolition for the Homeless

When our Society was founded in 1972, it was because a group of people in Wolfville, Nova Scotia, felt very much like Robert Hayes. In a rich little corner of Canada we had people living in conditions which equaled the worst in the Third World. And it was getting worse. As the number of farms and the need for farm labor decreased more people were unemployed and their living conditions - not good to begin with - were deteriorating.

The Wolfville Interchurch Council was an ecumenical group which met to discuss social and religious issues. They decided to pool their churches resources to provide assistance for those in need. When the demand for money for housing-related problems became unmanageable they formed the Interchurch Housing Society. The Society collected donations for housing repairs and also began to deliver some social housing programs for CMHC.

Between 1972 and 1981 it became apparent that those resources were still not adequate. Many families were ineligible for the government programs or the programs were innappropriate for the needs of the families

Federal Government programs are most often designed in Ottawa, and administered from there. Peter Oberlander, writing for the Social Science Council of Canada, has said that Canadians are "consumed by urban values, urban aspirations and urban incentives, and aspire to a Canadian-wide urban system of values. The dichotomy which is sometimes assumed between urban and rural really is no longer there." This statement is reflected in the social housing programs designed in Ottawa and in the expectations of those who administer them. People in Ottawa seem unaware of the fact that there are still segments of our society that are agrarian and hold rural values. These rural people are poor - they are socially and culturally deprived - they have been left behind - they are what the sociologists call "marginalized." They do not participate in the mainstream of Canadian life.

Interchurch Housing found that these people indeed qualified financially for CMHC programs - their incomes are well below the poverty line. However, a three bedroom bungalow, with an "L" shaped living and dining area, and an oil furnace, designed for suburban Canada, was most inappropriate for their needs. More important - it was far more than they could cope with. Taking families from isolated shacks on the mountain where they had drawn water from a brook, used an outdoor privy, and burned wood and moving them to a modern house in a new community often proved disastrous. The houses were not maintained and the payments not

made because the responsibilities were overwhelming. CMHC had arrears rates in some provinces of 75% and foreclosures became commonplace. Our Society felt that if people were ever going to succeed in new housing they must be educated on the responsibilities of homeownership and they should live in houses which are designed to meet their needs and life style.

Interchurch Housing approached CMHC with a design for what we called a Hearth Home - a small house, built on a four-foot frost wall, with two bedrooms, a living-kitchen area, and a full bath. It could be heated with a wood cook-stove but would have back-up electric heat and it would be economical to maintain. In short, it would provide safe, comfortable housing at one-half the price of their units. In addition, we would provide people with the life skills necessary to manage the new housing.

The Society had developed what we called a social counselling program for families in our CMHC program. Families were selected through a housing orientation program. They discussed their needs and questions about housing in small groups and then made their application to participate in the program. Our community workers did home visits to assess their housing and housekeeping skills. Families were selected on the basis of need and their willingness to learn new life skills. After selection and before and after they moved into their new homes they attended a series of workshops on home maintenance, budgeting and general homeownership. Most of our families have never met any professional person other than a physician. We introduced them to whole range of resource people - lawyers, accountants, contractors, bankers, and others who work for Consumer Affairs and the Power Corporation. We made them aware of all

the rights they have and all the services available to help them. We proposed to do the same with our Hearth Home Program.

CMHC's response to our proposal for a new program was negative. They had no money for new programs and they would not provide mortgage insurance because the market value of the Hearth Homes was poor.

Interchurch then began to look at building the houses with conventional mortgage money. The "Banks" were not interested in anything as risky as housing the rural poor. League Savings and Mortgage of Halifax had had experience in lending for various social housing programs, with CMHC as the insurerer. They were willing to take a chance on us and worked with Interchurch and our local MLA (who was the Attorney General of Nova Scotia at that time) in approaching the Nova Scotia Government to insure our mortgage. After nearly two years of negotiation we were able to secure mortgage insurance from the Nova Scotia Government.

We then borrowed $600,000 from League Savings to build 20 Hearth Homes at $30,000 each. We paid the N.S. Government a one and one-half per cent insurance fee. Interchurch agreed to hold the mortgages in our name for three years while we monitored the clients progress. We agreed to provide counselling in home maintenance and budgeting. We agreed to set aside $3000. from each mortgage in a contingency fund to take care of any arrears or major repairs. By the time we were able to begin to build, costs had gone up and our $30,000 mortgages were not enough.

Interchurch did not have any permanent staff. We paid the Kings County

Housing Repair Society, which was a community-based non-profit delivery group for CMHC's programs, to do our work. However, if we were going to build Hearth Homes we needed people. We therefore applied for and received a Canada Works Grant. It provided us with 14 people to administer and construct the program, and paid the rent.

We built 20 homes in 1985, 33 in 1986, and this year we hope to build another 25. Unfortunately it isn't getting any easier. The Canada Works Grants are not always there when you need them - they are there when it is politically expedient for them to be there. The cost of a Hearth Home this year is $49,000, because the mortgages now must cover the administration and construction. When I say administration I am including not only the managing of the financing, accounting and construction, but the social counselling costs as well. We do have a small grant which will help during construction, but it is not enough.

Our families - the poorest of the poor - do not have land that is fit to build on. They live on swamps or rock. We are being forced to buy land in their home communities which we can develop at a reasonable cost. That has put the price up. Interchurch has raised money to buy land, and this year we will attempt to fund raise again. However, it is a small community and you can only get so much money from a population base of 50,000 people.

We have done everything we possibly can to cut costs. We construct the houses ourselves because we can buy the materials in lots and sub-contract on 20 or more units. If we tender the houses the contractors have to make some profit and we can't afford to give it to them.

Interchurch never wanted to be in the construction business but we have been forced into it.

We also are paying the market price for money. We need lower interest rates. The poor are paying premium prices for their mortgages. We are attempting to keep the monthly payments at around $300-$350 per month, and even at this amount people are paying 50% of their income for shelter. We have turned families away because we know they will have to use their food allowance for housing if we let them in the program. We are faced with letting them freeze or starve.

There are essentially two ways that I can see that church money could assist us. The first would be that it could provide mortgage money at a cost below market prices. One, two or three per cent - I don't have to tell you - make a tremendous difference on a small mortgage. To our families even $10 or $20 dollars a month is a vital amount of money, and often means they are or are not housed.

The second way church money could assist us would be in the form of subsidy. That is - the money would be invested in the market place - in an acceptable place - and a percentage would be donated to be used as a subsidy to lower monthly payments. Our local United Church has been generously endowed and grants us money each year to use in our Program in this way.

There may be other ways and I hope there are. We have attempted, and to some extent been successful, in involving the churches, the private sector

and the government in dealing with a problem which must be solved. I do not believe that any Canadian should be homeless. I do not believe that it is a problem for the government alone to solve. I think it is a problem that all Canadians must work together to solve.

GCM

Groupe conseil
des cooperatives
de travail
de Montreal-Laval

Presentation

by

LUC LABELLE, Project Manager

May 29, 1987

Taskforce on the Churches & Corporate Responsibility

WORK COOPERATIVE:
AN EFFECTIVE WAY FOR ALTERNATIVE INVESTMENT
... ON CERTAIN CONDITIONS

On behalf of the Groupe Conseil Montréal-Laval, it's with great pleasure that I accepted the invitation of the Task Force on the Churches and Corporate Responsability. I will be happy to share with you our experience of the starting-up of work cooperatives.

I will use the time granted to me to make you aware of how this kind of organization can provide a very interesting alternative investment and to examine the conditions that are a "must" for the success of that type of endeavour.

But first, let me tell you more about the Groupe Conseil de Montréal-Laval (G.C.M.) and explain what is a work cooperative.

The mandate of the GCM is to promote the cooperative approach to work as a form of business, and to supply, free of charge, the technical support required by groups wishing to create jobs for their members by starting up a business, that is a work cooperative.

We are mainly financed by the Ministry of Industry and Commerce of Quebec. The Groupe Conseil is also associated with the Coopérative de développement régional (Regional Development Cooperative) to which is closely associated the Centre de gestion des coopératives de l'École des Hautes Études Commerciales (H.E.C.).

The gouverments are the main agents for the job creation. Therefore, it is their responsibility to finance the necessary structure, such as the G.C.M., needed for the start up of new businesses.

Our technical support first starts with an analysis of the initial concept of the project with the promoters, that will insure the quality of the group and of the project. Then, we provide the promoters with the skills and the assistance for every step of the creation of their cooperative. Our assistance consists of:

- Feasibility study;
- Incorporation (charter, internal by-laws, etc.);
- Internal structure;
- Development of management methods and tools;
- Putting together a financing "package";
- Start-up of operations;
- Follow-up on management (crutial during the first months of operation).

Our mandate is to provide the promoters with practical informations and to assist them with their entrepreneurship; we will never substitute our knowledge to the work of the promoters. Our main concern is that all through the different steps of the creation of their coop, the promoters always remain in charge of their project so that the members can find a steady job and a quality environment.

But in fact, what is a workers' coop?

What sets apart a workers' coop from other cooperatives is the object of its creation. Whereas a housing coop is geared towards providing its members with a decent place to live at the best possible conditions, a workers' coop is created to provide work for its members.

The work cooperative can be summarized by the following three principal rules:

1. The workers' coop is the collective property of all its members;
2. The workers equally share the decision-making process:
   - each member is entitled to one vote;
3. The workers all benefit from the result of the opereation:
   - profits earned are divided among the members according to the work accomplished by each one of them.

In Quebec, the law stipulates that a minimum of three persons is required to create a workers' coop.

Let's take a look at the promoters of those projects. Who are they?

Most of the time, the promoters of those projects are jobless people or people with an unstable job situation. But whatever their employment status, those individuals have decided to exercise their collective entrepreneurship in an economic sector relevant to their skills.

While they are masters of their trade, those people usually lack of management skills.

As you may have guessed by now, the groups wanting to start a coop don't usually meet the standards of the traditional financing institutions being the banks or the credit unions. They lack the personal assests that have to be put up as collateral.

Mr. Jean-Claude Guérard from Le Centre de Gestion des coopératives of the H.E.C. has divided the work cooperatives in two categories: one being the monetary-oriented coop and the second being the human-oriented coop.

The main investment in the monerary-oriented coop is of course, money. We will more likely find this type of coop in the industrial transformation sector.

As for the human-oriented coop, the one we most often deal with at G.C.M., "the economical activity is mainly oriented towards the practice of a trade that requires little financial investment [...]. In the traditional business world, the activities of those coops would normally be performed by agencies paying the minimum wage, offering no job security and no training program to their workers.

The work cooperative is geared towards the personal and economical development of its members; therefore, it should be promoted with the workers of the traditional business sectors. Cooperation and solidarity enable these workers to become their own bosses, to increase their personal income in the medium term and to provide themselves with a training policy which would permit them, among others, to increase the

quality of the service offered to the population. (1)

The very features of human-oriented projects seldom permit an easy access to initial financing for the groups and thus, become an impediment to the start-up of a business.

Let's take a closer look at the situation by presenting a real case encountered at G.C.M. Auxi-Plus is a cooperative of family auxiliaries which started operating in Montreal in January 1986.

The auxiliaries visit the beneficiairies at home and offer a variety of services such as preparing meals, personal hygiene, helping out people getting up or going to bed. In short, they provide the necessary services that enable elderly people or momentarily handicapped persons to stay at home.

Most auxiliaries work for private agencies which have very little consideration for them. These workers, most of them women, have no security, they don't know from one day to another if they will still have work, they receive no training whatsoever and they are underpaid.

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(1) Excerpt of the speech of Mr. Jean-Claude Guérard, on March 31, at C.D.R. Montreal-Laval. Title: "L'avenir des coopératives de travail.

Indeed, in 1986, the various agencies were selling the services of their auxiliaries at $8.00 an hour while paying their employees the minimum wage, that was $4.00 an hour, without offering them fringe benefits such as insurance, maternity leave, etc.

The first step of our involvement was to realize a feasibility study which confirmed an interesting opportunity in the market. A thorough preparation over a period of about six months enabled us to prepare the penetration of the market and to plan the launching of a financially stable and effective organization. Towards the end of our preparation period, we had a business project that was socially and financially profitable.

The start up of operations depended only on the initial financing. Even though it was a human-oriented type of project, needing very little capital considering the number of potential jobs, the financing was nevertheless hard to secure.

Here is what happened

The project needed an initial financing of $25,000: $5,000 being devoted to the purchase of office furnitures, the remaining $20,000 going to the working capital, that is to say, liquid assets needed to fulfill short term obligations (rent, salaries, etc.) while waiting for accounts receivable.

Needless to say, it was impossible for workers to invest money in their project considering the precariousness of their financial situation, since they are paid at the minimum wage.

Therefore, promoters have little or nothing to offer in way of security and have little or no experience of business management. Under those conditions, and since it's a new service concern firm, it became impossible to obtain a credit margin with a traditional financial institution.

The promoters didn't have access to governmental programs since the project was in the service industry. The traditional financial sources being unavailable, other means of financing had to be found.

It is two religious groups who recognized the worth of the project and lent $25,000. I did say "lent".

Thus, the work cooperative Auxi-Plus started operating in January 1986. It sells its services for $8.40 an hour and pays the auxiliairies $6.40 an hour which leaves $2.00 an hour for the management of operations. Furthermore members reinvest $0.30 an hour in their cooperative under the form of participating shares to reimburse the loans granted by the religious groups and finance the growth of the firm. It goes without saying that the shares bought by a member will be refunded in the event of his leave. Also, according to the Régime d'investissement

Coopératif (Quebec Cooperative Investment Plan), the money invested by a member in his cooperative is tax deductible of his taxable income.

After a year of operation, sales at the cooperative reach $100,000 per month. It supplies work for more than 140 workers. Furthermore, auxiliairies receive a complete training in their field and participate in the decision making process of their firm. The workers are happy with their new situation and so are the clients since the cooperative took over a large part of the market on the island of Montreal. The main clients of Auxi-Plus are Health Care Centres which have the budgets to allow home care services.

After 6 months of operation, Auxi-Plus started to reimburse the loans offered by the religious groups. Moreover, a relationship was eventually established with a bank which granted a first line of credit to the cooperative, on the basis of the excelient results of the first 6 months and providing that the firm put its accounts receivable as collateral.

The project itself needed very little funding and the interest generated by that project is obvious not only for society at large, but also for the workers in that field who improved their lifestyle. Yet, without an access to a proper financing, such as the one offered by the two religious groups, the project would have never become a reality.

It is obvious that not all G.C.M. projects have that scope, but all are as important in terms of job creation and service.

That successful experience involving the financial participation of two religious groups in Auxi-Plus formed the basis of a development tool for the work cooperatives. Since many of our projects are human-oriented and that a similar financing problem exists for most of them, we are now in the process of putting together a development fund geared towards work cooperatives, in collaboration with various local religious groups. That particular fund will serve as last resort financing for the most interesting projects. As a matter of fact, we are working with the Canadian Alternative Investment Cooperative (C.A.I.C.), which deals in alternative financing.

Ever since two religious groups sponsored the work cooperative Auxi-Plus, many others are considering joining the evergrowing movement to become parners of a new kind of business: one based on the human being and not only on money.

That was the case, but in a different context, for the housing, farming or savings and credit cooperatives, in which the religious groups invested to promote the emergence of these movements. Today, everyone recognizes the success and the importance of these movements in the social and economical life of Canadians. The work cooperative fulfills a need in society; therefore, its rapid growth since the early 80's will increase in the future providing it receives the support needed by its promoters, that is to say, technical support on one hand, and financing methods better adapted to its reality on the other hand.

Loans or investment losses?

Everyone knows that religious groups are frequently called upon to lend their financial support to various economical or community projects.

Many groups liable to set up work cooperatives already receive the financial support of religious groups. Withouth a proper counselling structure, similar to the one offered by G.C.M. many of those investments turn out to be losses because the promoters don't always have the knowledge or management experience to see the project through. It is important to keep in mind that when some money is invested in an unsuccesful project, it cannot be used later for another project.

Our experience with the work cooperatives enabled us to identify the conditions necessary for successful projects.

Firstly, you have to have a good business plan, that is realistic and based on accurate market data. The promoters' "feelings" are seldom sufficient facts; the promoters need help to do an in-depth research. Furthermore, the quality and the leadership of the group are essential. Thus, if you have a good group working on a project of a lesser quality, you can always adjust or change the project. The opposite is not true since a first quality project will fail if it is promoted by a group of doubtfull quality. A group is considered "solid" if all its members have the same objectives at the founding of the business, which insures a better

cohesion. A mature outlook is a must, as for any kind of human activity to which two or more people participate, so that conflicts may be settled with the greatest respect for each individual without causing the break up of the group.

Finally, the technical support provided by a team such as G.C.M. is critical for the success of the project. G.C.M. not only helps the promoters to prepare their business plan and set-up, but its specialists also supply management support. That support structure has to remain at the service of the cooperative, especially during the first few months of operation, to ensure follow-up.

Dunn & Bradstreet determined that 4 new businesses out of 5 won't make it until their fifth anniversary and that bad planning and management are responsable of 90% of those failures. In the States, the Birch report confirmed these informations and it has also established that with proper counselling structures adapted to S.M.B's, a rate of success of 80% after 5 years was possible.

Our Montreal experience tends to confirm such findings. A technical support to planning and management is therefore essential.

CONCLUSION

The work cooperative fulfills a need in today's society and is the best tool for collective entrepreneurship. It represents at its best

economics at the service of the individual. For that very reason, it can offer an interesting alternative investment. However, it is impossible to succeed in the financing of those projects without their being backed up by an appropriate structure covering the planning and management of the cooperative, as well as the training of its members, while relying on the strength of the promoters and leaving them the leadership that every entrepreneur must show, even for a collective project.

Socially and economically viable businesses such as Auxi-Plus would not have become a reality without seed capital investments from religious groups as well as the continuous support of the Groupe Conseil de Montréal-Laval. Alternative investments in work cooperatives should only be granted if the appropriate counselling structures are made available from organizations such as G.C.M. About those support structures for that type of venture, Quebec has developped a unique expertise in North America. I was glad to share some elements of that expertise with you.

Luc Labelle, ADM. A.

I would like to thank:

Mr. Pierre Allard, coordinator, G.C.M.;

Mr. Marc-André Leboeuf, project manager, G.C.M.;

for their collaboration to this presentation.

Summing Up
by Sr. Frances Ryan, osu, Editor, Catholic New Times

(Remarks by Sr. Ryan edited by TCCR staff)

Philip Creighton told us at the beginning, and the printed forms that we got said that there was a purpose to the day. It was to be a "practical workshop" on alternative investment. Philip said he hoped it would be not just an opportunity to learn but might suggest some sense of direction for us.

Let me refresh your memory of a couple of things that went on today - starting with Prof. Hewitt, who really gave us the foundations of why we're here. Who, I think, pointed out that the churches are involved in the whole idea of alternative investment because it's fundamental to our mandate from the Gospel - from both the Hebrew bible and the Christian bible. That whole notion, of why we're involved, has to be always before us.

Some of the things that she said were that the implicit version of capitalism, the Canadian version of capitalism, instrumentalizes persons for profit; and that there is a choice that we have to make in terms of changing it. She talked about the costs of maintaining that situation. She told us that there's a relation between ethics and theology and that we have to be conscious of that; and that the Christian principles of service, of love, of community have to be basic to what we're all about. She told us that the duty of the church has to be discerning the possibilities of a re-ordering and a re-orientation of values and priorities.

Then of course we had Chuck [Matthei] who gave us a vision of what is happening. He underlined, stressed and reinforced what Prof. Hewitt said and gave us a picture of the United States experience with that kind of energy and enthusiasm that is so typically American. As Moira Hutchinson was saying a little while ago, all of those things that we see sometimes in the American culture that give us pain have this other side, this wonderful energy and enthusiasm, the ability to get things done - and that was good.

I think he gave us hope - certainly when he was talking I had visions of the origins of CAIC - the Canadian Alternative Investment Co-operative - and all of the slogging through the mud to get that established and how discouraging it was at times. He gave us hope to see that such things are possible and that maybe CAIC will go on.

Then Mr. Jacskon gave us a picture of the Canadian scene. Typified by the "Canadian virtures" of low visibility, somewhat scattered efforts, of the sort of diffidence that sometimes marks Canadian efforts.

And we even got the approved government version of how we need to go about things from Ken Gelok. I think one of the things that's important to realize about having the government here - is that the government does have responsibilities. For the economy, for the political situation, for the establishment of a situation where there are jobs, where poverty is tackled, where we do have some sense of controlling our society, rather than being controlled by it.

I can't tell you how much I appreciated the absolute honesty of Mr. Ligertwood. It was wonderful and so truthful - and what so many of us have to deal with when we're in the business of alternative investment.

I found the case studies really interesting, inspiring, encouraging - because they're grass roots Canada at its best.

This is a review of what I heard. Now what kinds of conclusions can we reach from the experience?

I think, very definately, that alternative investment, and/or ethical investment - whatever you want to call it, however you want to understand it - within the framework that was created by our speakers today, by Prof. Hewitt primarily, but reinforced by all the others, and exemplified by the presence of you here as members of your own constituency - it's obvious that alternative investment is not really an option but a reponsibility, an obligation. And alternative investment understood, not just in the negative sense - not just by not investing in South Africa; by not investing in liquor companies, or cigarette companies or whatever - but the very positive effort to seek out and look for areas where the money that you have can do something positive, can make a change in the social fabric of the society, can encourage the kinds of grass roots efforts that are being made. We even need to ask people for that kind of money for that particular kind of investment. Maybe they are just sitting out in the pews waiting - who knows.

Having said that, it is obvious that extra money and good will aren't all that are needed. Money, I think in a way, is one of the least of our problems. What should concern us more is how to evangelize our own constituencies; how to preach this particular word, that is certainly biblical Gospel, to our brothers and sisters; how to become counter-cultural, particularly in this matter of how we see our society; how we use the money, the wealth, that is definitely in our churches; how we allay fears; how we build hope; how we encourage the acceptance of responsibility for one another in our society.

A very primary need that has been pointed out over and over is the need for technical expertise, for the kind of enlightened knowledge, the legal know-how, the experience, the principles of operation that are essential if we are going to make anything like alternative investment work. Some of us have found that out the hard way. Certainly we found that out the hard way with CAIC. And I think a lot of other people, a lot of religious communities who have simply tried to put seed money into projects have made mistakes.

There's no question that we need to share the kind of expertise that is obviously around. And maybe that's one of the most concrete realizations that comes out of the day.

I found Mr. Gelok's presence particularly interesting. I have to confess that my cynicism was at its peak when he began to talk. I don't think it really lowered, except to accept the fact that he's probably a very good man trying to do his job. I was reminded though of the biblical quotation, I think it's New Testament, "The children of this world are wiser than their generation" -

maybe one of the things that we need to learn is how to use what's out there in the government - we need that kind of expertise too. We need to know what they're offering and we need to know how we can manipulate, if you like, the conditions that are provided by the government for the good of the projects that we're trying to promote.

Possible directions - where do we go. Obviously one of the primary things that we all are concerned about is the establishment of networks. Local, provincial, regional, national - Larry Trunkey already talked about his national network [Canadian Network for Ethical Investment]. Communication is vital, as was underlined so often today.

We need to share ideas, encourage one another, share expertise. We need also to be able to sort out our differences and see where, with a common thrust, we can do something; like support legislation for co-ops in Ontario. We need to see what we together as opposed to single individuals or single groups can do to push that kind of legislation through. Where we can agree, we need to get together and establish that network.

Maybe what we also need is a how-to manual. Possibly we need to put together some of the things that have happened here today, to encourage and direct other groups who want to get started on the kinds of projects that some of us are involved in. We need education programs. Perhaps as part of the how-to manual or maybe secondary or associated with it, is the possibility of a central depot of information about that technical expertise. How do we get that into a place where it's available to the different groups that are going through the process. I don't know whether it's a project for TCCR - I'm sure TCCR doesn't want it - but somebody's going to have to do it.

I think one thing that we can all get involved in right now simply with what we have at our command is an educational effort that relates ethics and theology, something that works with patience and understanding and tolerance at the conversion of our churches. We really need to realize that that's part of this effort. That we can't just say "well, we're going in the right direction, so we're gonna go". We need to keep the door always open to the church, to our own constituencies and to try to bring them into a fuller understanding of what this vision of society is that we heard about from Prof. Hewitt.

As consumers ourselves, we need to be conscious of what we're doing, of what we're supporting. Do we support worker co-ops? Do we keep our money in a credit union? What about our personal funds, where are they invested? Do we fall into the mainstream of the way in which our society operates? The way in which we treat one another, the way in which we treat the people in the street, the people we work with, the people in our families? We need conversion too.

My final question is - is it time for an inter-church coalition on alternative investment? Is it?

It's been a good day - challenging, hopeful, exciting, and I think we owe a vote of thanks to Philip and to TCCR because I've had a great time.

TASKFORCE ON THE CHURCHES AND CORPORATE RESPONSIBILITY

Alternative Investment Workshop

May 29, 1987

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